

# FINANCIAL TIMES

WEEKEND AUGUST 28/AUGUST 29 1993

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## Germans play down doubts on US-EC farm deal

German officials backtracked yesterday on Chancellor Helmut Kohl's apparent support for France's effort to renegotiate a hard-won US-EC farm trade agreement. While French officials welcomed what they called a turning point in Germany's stance on agricultural exports, Bonn insisted it was not seeking formal renegotiation. In Washington, American Farm Bureau chief Dean Kleckner said that if Germany had really changed its position, "it could mean the end of the GATT talks". Page 2

**Yeltsin budget rejected:** Russia's parliament threw out President Boris Yeltsin's plans for cutting the budget deficit. It then approved its own plan, deleting all but six of 15 amendments proposed by the president. Yeltsin's sacking demanded. Page 2

**BAe and Taiwan clinch deal:** British Aerospace signed an agreement with Taiwanese officials on how they will finance a planned joint venture jet aircraft. The deal will preserve as many as 3,000 BAe jobs near Manchester. Page 3

**UN convoy still held in Mostar:** Desperate Bosnian Muslims continued to bar the departure of a UN convoy that brought in aid on Thursday, fearing that Croat shelling would resume once the trucks went. Izetbegovic urges rejection of plan. Page 2

**Abiola's plan is 'insurrection':** Nigeria's military-appointed administration said it would treat as "insurrection" any attempt by Moshood Abiola, the man thought to have won the country's annulled elections, to return and form a government. Oil workers to strike. Page 3

**Brewer blames bottle makers:** Dutch brewer Heineken blamed the bottle maker for the glass splinter scare which prompted the recall of millions of bottles. It said Dutch-based Vereenigde Glasfabrieken, which is majority-owned by BSN of France, should meet all the costs. Recall reaches Canaries. Page 2

**Italian judge warned:** Diego Curto, vice-president of Milan's civil court and head of its commerce division, became the first senior figure to be warned formally that he faces investigation in Italy's corruption scandal.

**Priest accused:** Roman Catholic priest Patrick Ryan, 65, wanted in Britain over IRA bombings, appeared in a Dublin court accused of handling stolen property. He was released on bail.

**Typhoon lashes Tokyo:** Road, rail and air links with the Japanese capital were cut when Typhoon Vernon hit Tokyo heading north along the Pacific coast. A record 65mm (2.5 ins) of rain fell on Tokyo's central business district in an hour. Picture. Page 2

**Six hurt in IRA attack:** Six people were injured when the IRA fired a mortar at a police station in Lisnaskea, Northern Ireland. One of those hurt was six months pregnant.

**Poland devalues:** The Polish zloty was devalued by about 8 per cent against the dollar to try to boost exports and cut a \$1.1bn trade deficit. Page 2

**TSB bows out of car rentals:** TSB Group of the UK is selling its EuroDollar car rental company for £182m to its managers. EuroDollar has 10 per cent of the UK market and owns the EuroDollar network in 37 countries. Page 8; Lex, Page 22

**China may reconsider** the exile of dissident Han Dongfang if he shows "signs of repentance and mending his ways", the Ministry of Public Security said. Han founded China's first independent labour union and was jailed for 22 months without trial after the 1989 Tiananmen Square crackdown.

**Smog smothers Athens:** Hundreds of Athenians had to seek hospital treatment when smog indicators in the Greek capital exceeded emergency levels and temperatures reached 104 F.

**Reform chief quits:** Ukraine's deputy prime minister Viktor Pynzenyk, the man responsible for piloting the republic's economic reforms, said he was resigning because economic decisions were being taken without his consent.

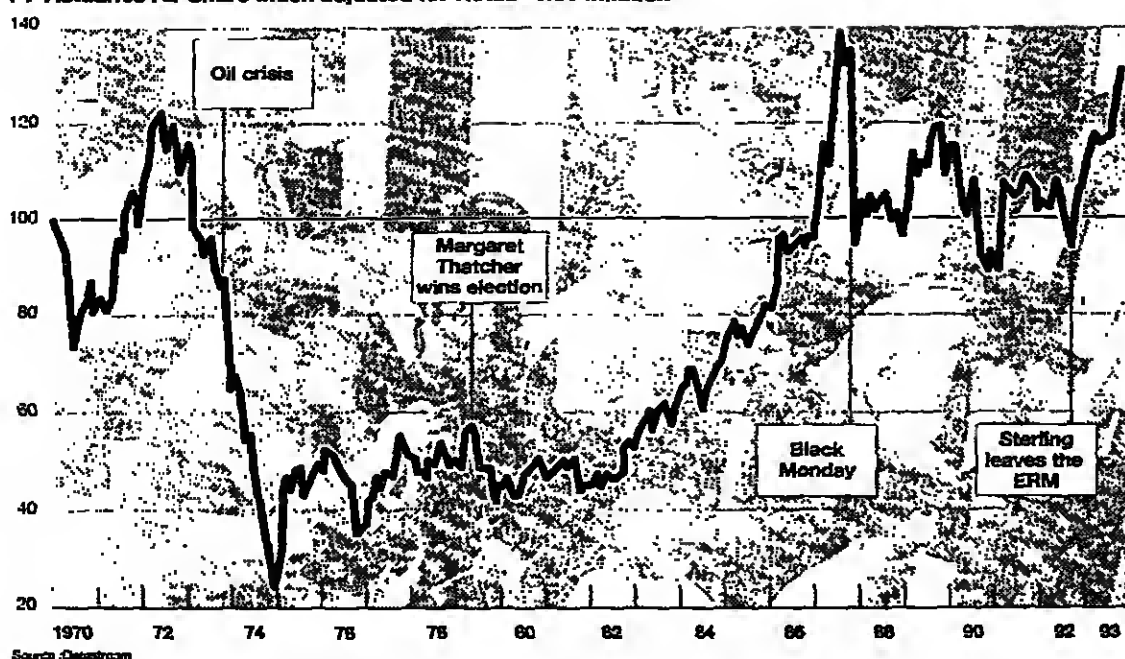
**Chasing cheaper insurance:** The number of Britons who switched insurance companies almost doubled between September 1991 and March 1993 - a sign that UK consumers are increasingly likely to shop around for cheaper policies. Page 5

STOCK MARKET INDICES		STERLING	
FT-SE 100	2,100.6 (+21.4)	New York Composite	2,509.1 (+1.5)
FT-SE 100	2,100.6 (+21.4)	Dow Jones Ind. Ave.	2,927.78 (+20.40)
FT-SE 100	2,100.6 (+21.4)	S&P Composite	653.81 (+1.53)
FT-SE 100	2,100.6 (+21.4)	Euro Stoxx 50	1,008.8 (+0.7)
FT-SE 100	2,100.6 (+21.4)		
US LUNCHTIME RATES		DOLLAR	
3-mo T-bill	5.12%	New York Composite	2,509.1 (+1.5)
6-mo T-bill	5.12%	Dow Jones Ind. Ave.	2,927.78 (+20.40)
12-mo T-bill	5.12%	S&P Composite	653.81 (+1.53)
3-mo Eurodollar	5.12%	Euro Stoxx 50	1,008.8 (+0.7)
6-mo Eurodollar	5.12%		
12-mo Eurodollar	5.12%		
LONDON MONEY		NORTH SEA OIL (August)	
3-mo Libor	5.12%	Crude oil (Oct)	\$17.25 (+17.03)
6-mo Libor	5.12%	Gold	\$380.2 (+37.5)
12-mo Libor	5.12%	New York Comex (Aug)	\$380.2 (+37.5)
3-mo T-bill	5.12%	London	\$380.2 (+37.5)
6-mo T-bill	5.12%		
12-mo T-bill	5.12%		

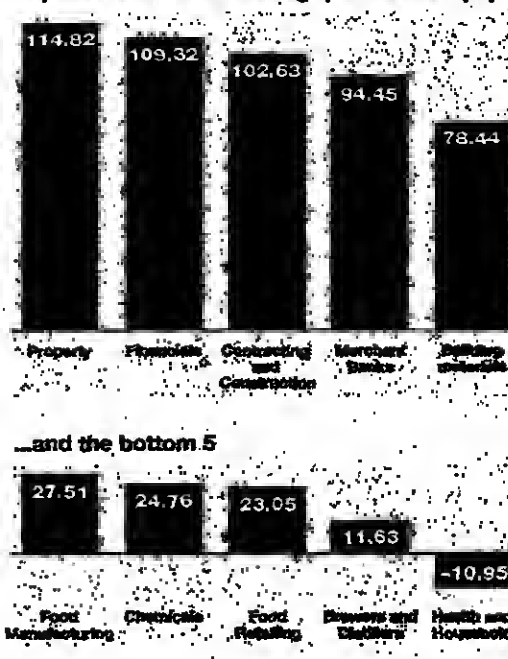
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## Reaching for a real high

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# Markets surge to new peaks

By Our Financial Staff

LONDON SHARES joined other European stock markets yesterday in soaring to record levels, in defiance of the Bundesbank's refusal on Thursday to cut interest rates.

In London FT-SE 100 index broke through 2,100, closing 21.4 points higher at 2,100.6, two weeks after breaking through the 3,000 barrier for the first time.

The Paris CAC-40 market closed at a record 2,183.88, up 10.27 points. The Madrid and Lisbon bourses both reached their high points for the year. The German DAX index closed 3.45 points up at 1,904.60, only 4 per cent short of the peak reached in April 1990 in the euphoria following the fall of the Berlin Wall.

Sterling closed at DM2,500.00, down 1 pence on the day and down 3 pence on the week.

In London, analysts attributed the performance of equities to confidence in UK economic recovery, encouraged by the Confederation of British Industry, which raised to 3 per cent its growth forecast for gross domestic product next year.

Equities were also driven by strong gains in domestic bond markets, as investors remained confident that inflation will stay low and that falling interest rates

## European equities climb to record levels despite Bundesbank's refusal to cut rates

In continental Europe would allow UK rates to be cut further.

"It would take something very negative and totally unexpected to push this market down and hold it there," said Mr Richard Jeffrey of Charterhouse Tilney.

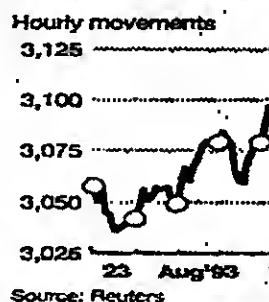
"We're seeing increasing confirmation of recovery. The rally will continue," he added. "Interest rates are coming down across Europe, and the only question is the timing," said Mr Ian Harnett at St James's Place, the London securities arm of Societe Generale.

Analysts said the UK market may have already factored into share prices a possible reduction in UK base rates to 5 per cent from the present 8 per cent. Some suggested that rates could be cut to 4 per cent, perhaps by the year-end.

Trading volume in UK equities has risen this month to record daily levels for 1993, with US investors particularly heavy buyers this week.

The new record underscores a remarkable revival in the City's fortunes. This year, as a result of

FT-SE 100 Index



Source: Reuters

strategist. But relief is mixed with sobriety. There is little suggestion that London's dealers are about to resume the spending spree on which many embarked in the mid-1990s.

Porsche's largest UK distributor, in Chislehurst, west London, might be recording a five-fold increase in car sales this August over last, but there is a much more cautious mood.

The management of the Altrich champagne bar in the City's Bow Lane said that this August had been better than last, but attributed this mainly to the weather.

Nearby at the Bow Lane Colony Wine bar, manager Gill Owen said there was less talk of recession, but people were still ordering house wine at parties instead of champagne.

"It used to be that as long as it was cold and fuzzy people would drink champagne by the case," she said.

The more sombre mood is blamed on the fear of unemployment. Stockbrokers said there had been redundancies in their industry as recently as three

months ago. Last month the Institute of Management and Research, the body representing Britain's 3,100 investment analysts, said it would defer its 1993 annual subscription fee for unemployed members.

There is little evidence so far that employment in the City is recovering. Mr Peter Roes, City planning officer at the Corporation of London, estimated that five years ago some 320,000 people worked in the financial district. Now, he said, the figure was approaching 250,000. The recession and the introduction of new technologies were to blame.

Personnel executives at City broking houses reported a slight increase in movement of staff between firms.

However, most institutions are expected to be cautious about repeating their mistakes of the 1980s in increasing overheads that could prove difficult to sustain.

"Institutions will be a lot more wary about handing out ridiculous sums of money," a personnel manager said.

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German inflation to fall, Page 22  
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Why records continue to be broken, Weekend, Page 11

## Crackdown on easy cash for Japan's big spenders

By Robert Thomson in Tokyo

JAPAN'S commercial banks are about to clamp the style of the country's big spenders by limiting withdrawals from cash dispensers.

The move will be a blow to those who are coy about using credit cards, and debt-collecting gangsters who generally do not accept them.

The country's leading 11 commercial banks have agreed in principle to impose a daily limit of ¥2m (£12,900) on their machines, still very large by international standards.

The proposed new ceiling is a response to rising bank card fraud and concern that small banks could be threatened if customers continue to enjoy unlimited access to cash.

In contrast to the standard £200 withdrawal limit from British cash machines, at present the only limit on the largesse of Japanese dispensers is often the size of your bank account, or your overdraft facility. Some banks currently have a daily limit of ¥5m, while others have no limit.

The ¥2m ceiling will be an inconvenience in a country that runs on large-denomination notes. When a provincial governor was arrested several weeks ago for alleged bribe-taking, prosecutors claimed he was given ¥30m cash in a shopping bag.

Mr Shin Kanemaru, the fallen godfather of Japanese politics now on trial for alleged tax evasion, has said he often received large amounts of cash from construction companies or "loyal supporters". Prosecutors found millions of yen in his bedroom.

Police believe bank dispenser machines are used by companies giving politicians large donations because they do not have to deal directly with bank staff. Japanese bankers fear that a bank failure could prompt depositors to rush to another institution's automated teller to withdraw funds. Banks bruised by the sharp fall in asset values in Japan over the past three years are increasingly fragile.

Continued on Page 22  
Flagging economy, Page 3

## Founder of Homes Assured is found guilty

By Richard Donkin

THE FOUNDER of Homes Assured, the company set up to help council house tenants buy their homes under the government's right to buy legislation, was found guilty yesterday of two charges of deception.

A Southwark Crown Court jury, sitting in an annex of the Old Bailey, returned guilty verdicts on two charges of procuring execution of a security by deception against Mr Anthony Dobson, the company's 36-year-old founder and former board director, of Gledbe Place, Chelsea, south-west London.

Mr Keith Woodward, another board member, was convicted of one charge of furnishing false information. The jury is continuing its deliberations today on joint charges of fraudulent trading against Mr Dobson, Mr Woodward and Mr Michael Robinson, the former managing director of Homes Assured.

More than 100 witnesses were called by the Crown in its case against the three directors on charges which arose out of the company's collapse four years ago with debts of £10.7m.

## Bugatti takes over Lotus sports cars

By Kevin Dore, Motor Industry Correspondent

TWO FAMOUS marques of the European motor industry are to be brought together with the takeover of Group Lotus, the UK sports car maker and automotive engineering group, by Bugatti International.

The Bugatti holding company, registered in Luxembourg, was formed in the late 1980s to revive the Bugatti marque. It is understood to be paying about £30m to buy Group Lotus from General Motors of the US.

Bugatti International's main operating company is Bugatti Automobile, which started production in Italy last year of a £500m (£230,000 pre-tax) supercar, the EB110, the first Bugatti to be made since the early 1950s.

Group Lotus, which was acquired by GM in 1986 for £22.7m, has run up heavy losses in recent years, and the US carmaker has been searching for a buyer for several months following the breakdown of talks on a management buy-out.

Group Lotus, founded by Colin Chapman, one of the most creative designers of racing cars, suffered its biggest setback last year when it was forced by rapidly mounting losses to end production of its Elan sports car less than two-and-a-half years after launch. The Elan cost Lotus a write-off of £24.4m.

The company acquired by Bugatti has no connection with Team Lotus, the Formula One motor racing operation. Bugatti is taking over the entire Group Lotus business, including its engineering, consulting and car production

operations based at Hethel, near Norwich, as well as Lotus assets in the US, where it sells through a 59-strong dealer network.

The Italian carmaker said Lotus and Bugatti would remain separate companies but would pool their resources in development and marketing.

Mr Romano Artioli, president of Bugatti Automobili, said Lotus engineering would be used to accelerate the development of Bugatti's planned EB112 sports saloon due for launch in 1995.

The Lotus name is expected to be used for branding other products. The Bugatti name is currently exploited on items ranging from champagne to tableware and men's clothing.

Struggling Group Lotus finds Italian saviour, Page 4

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FT 28/8/93





NEWS: INTERNATIONAL

Germans back-track on US-EC farm deal doubts

Bonn plays down Kohl's about-face

By John Riddling in Paris, David Gardner in Brussels, Ariane Genillard in Bonn and Nancy Dunne in Washington

GERMAN officials spent yesterday back-tracking on Chancellor Helmut Kohl's apparent endorsement of a week of French demands that a hard-fought US-EC farm trade agreement finalised late last year should be renegotiated. But French officials welcomed what they described as a turning point in Germany's stance on agricultural exports. They said it could end France's isolation in international trade negotiations. Both governments confirmed that talks would be held between senior trade officials early next week in Paris aimed at finding a common position on farm trade exports. In Washington, trade officials found it hard to believe the German government had genuinely shifted its position. Mr Dean Kieckhefer, president of the American Farm Bureau, commented: "If this is really true, it could mean the end of the Gatt talks. But there is apparently disagreement about what he [Mr Kohl] meant."

Mr Kohl put a cat among the pigeons on Thursday when he said, after meeting French prime minister Edouard Balladur that, like France, Germany had "problems with the agricultural part of negotiations, with the Blair House agreement", and needed to "find a compromise acceptable for everyone".

France, under pressure from a powerful agricultural lobby, has strongly opposed last year's EC-US Blair House agreement aimed at paving the way for a successful conclusion to the Uruguay Round of international trade talks.

French officials said they were convinced that Germany was prepared to reopen negotiations on the agreement to avert a European crisis on the issue. "It is a significant shift," said one official.

But Mr Norbert Schäfer, the German government spokesman, insisted Germany was not calling for formal renegotiation of the Blair House agreement. Officials in the chancellor's office said the coming talks would bring clarity on demands made on the French side.

However, senior officials in the Bonn Agriculture Ministry reiterated Mr Kohl's words that Germany had a few problems with the Blair House agreement. They said the German government would not oppose renegotiations between the European Commission in Europe and the US on some specific issues. However, the whole agreement was not put into question, they said.

The European Commission, which negotiated the Blair House deal on behalf of the EC, had no official response to Mr Kohl's remarks. But nor, unofficially, was Brussels prepared to interpret them as a real shift in Germany's position.

France's principal objection is to the agreement's provision for a 21 per cent cut in subsidised food exports over six years, which it says will cripple its lucrative cereals trade.

Mr Kohl last October backed French calls for a strong "rebalancing" clause in any farm trade agreement - meaning restraints on US cereals subsidies and exports. Yet it is difficult for Bonn to pursue this now, since its proposed alternative draft was inserted verbatim into the Blair House deal.

World Bank approves greater transparency

By George Graham in Washington

WORLD Bank executive directors have approved a new information policy that will make many more of its documents available to the public. Project appraisal reports, summaries of internal evaluations, country economic reports and sectoral policy papers will in most cases be published, usually only with the consent of the country involved and after the bank's board has acted on them.

Critics of the Washington-based international development bank, especially environmental groups which have long criticised it for financing projects such as dams and power stations in the developing world, still have vigorous complaints about the new policy, especially as it steps back in some regards from a draft circulated a few weeks earlier. "It's totally inadequate," said Ms Lori Udell, of the Environmental Defence Fund.

Bank officials insist, however, that the policy is a genuine attempt to achieve greater transparency. A senior official said: "We are doing more than any international organisation has ever done to open up. We asked the question, not what can we get away with, but what should be properly done."

Many environmentalists agree that it will, in fact, take transparency a step further. "It is clearly better than nothing," acknowledged one persistent critic.

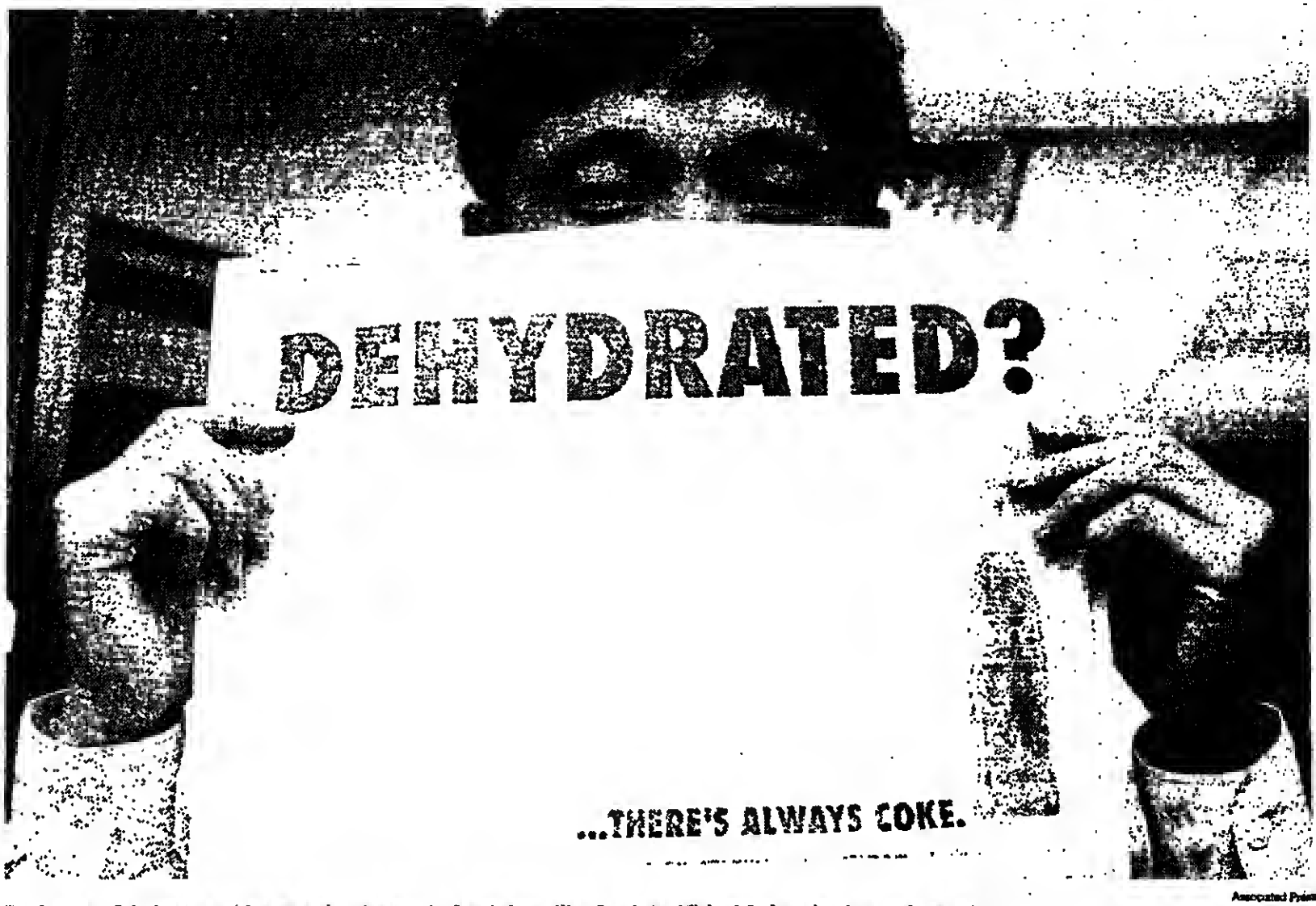
Intentionally and unintentionally, the World Bank is already far less secretive than the International Monetary Fund, its sister institution; even supposedly confidential documents circulate widely in Washington.

One significant step in the new policy is the creation of a public information centre, to open next January, which will greatly ease public access in the borrowing countries, where information is most scarce.

Critics of the new policy say too many documents will only be published after the bank has taken its decision, too late for the public to influence the debate.

Environmentalists are particularly harsh about the Project Information Document, a new summary intended to give early information on loans the Bank is considering. A sample PID circulated this month did not even circulate where the shrimp fisheries it discussed were to be located, although this was rectified in an embarrassed addendum last week.

It will not be clear for several weeks whether the new policy will go far enough to forestall the US Congress's threat to withhold approval for some of the US's \$3.75bn (€2.5bn) contribution to the International Development Association, the World Bank unit which makes low-interest loans to the poorest countries.



Dry humour: Coke leaps in with a new advertisement in Bangkok as ailing Pepsi star Michael Jackson has to cancel concerts

Dangerous times for Pepsi and Jackson

By Victor Mallet in Bangkok and Karen Zager in New York

THE pop star Michael Jackson has intensified south-east Asia's cola wars and raised doubts that he will be able to hang on to his lucrative contract with Pepsi-Cola, which is sponsoring his world tour.

Pepsi says its sales in Thailand have risen 16 per cent following two months of promotions associated with the singer-dancer's visit to Bangkok this week. Pepsi has a slight edge over Coca-Cola in the \$500m (€338m) Thai soft drinks market.

But Pepsi executives were left biting their nails when US police launched an investigation into child abuse allegations against Mr Jackson, which his lawyers denied.

Mr Jackson finally gave his second concert in Thailand to great acclaim yesterday after two postponements, which had infuriated fans. His doctor said he was dehydrated after his first - and typically energetic - concert on Tuesday in Bangkok's sweltering heat.

Coca-Cola pounced, hurriedly buying space in the English-language newspapers favoured by Thai yuppies.

"Dehydrated?" the advertisements asked yesterday. "...There's always Coke."

Pepsi, whose Thai office switchboards play Michael Jackson hits to callers on hold, yesterday put a brave face on the dehydration saga. "When you're number two, I guess you try to do everything," said Mr Tony Hilstey, president of Pepsi-Cola International in the Asia-Pacific region.

However, a Pepsi spokesman in the US yesterday issued a more ominous statement: "Because of the seriousness of the allegations and all the sensitivities involved, we're proceeding responsibly. We are following the investigation closely and our plans will depend on how it evolves."

Jackson's Pepsi advertisements of the early 1980s are considered the most successful soft drink commercials ever made.

The bad publicity will also further depress executives at Sony, disappointed with sales of Jackson's latest album, *Dangerous*, which was released as part of the estimated \$65m contract he signed with the Japanese entertainment and electronics group in 1991. US sales have fallen

short of expectations. US advertisers tend to shy away from scandal. Pepsi dropped its "Like a Prayer" commercials in the US after Madonna, the singer, created a furor with the video of the song of the same name. Similarly, the Florida Orange Citrus Commission decided to pull its advertisements featuring Burt Reynolds after the film star filed for divorce, and Barvin "Magic" Johnson lost his Converse athletic shoes spot and other endorsements after he announced he had been infected with the virus that causes AIDS.

The map, put forward last week by international mediators Lord Owen and Thorvald Stolteberg, gives the Serbs much of eastern Bosnia, which was mostly Moslem before the war, leaving the government control over three enclaves proclaimed UN "safe areas".

The Bosnian assembly announced it would postpone its vote until today, apparently waiting for the results of the Serb "parliament" meeting just 10 miles away in Pale, the Serb mountain stronghold.

In an attempt to push the plan through the assembly, Bosnian Serb leaders held their second day of closed meetings. They were expected to respond with a provisional "yes".

Bosnian Croat deputies are due to cast their vote today after meetings in Grude, western Herzegovina, which borders Croatia.

A United Nations aid convoy to the besieged southern Bosnian town of Mostar remained trapped for a second day yesterday, after Moslem demonstrators refused to let the convoy leave the city. The Moslems, who had been trapped in the eastern sections of the city for more than two months by fierce fighting between the Moslem-led Bosnian army and Croat forces, said they feared that if the UN left the Croats would launch a new assault on the town.

Meanwhile, in a bid to keep peace with astronomical inflation, the National Bank of Yugoslavia yesterday issued a Dinar banknote - worth a mere US\$1 at the current exchange rate of 330m dinars to the dollar.

● Mr Sali Berisha, the president of Albania, yesterday condemned recent killings along the border of Albania and Macedonia and called on Macedonia to protect the rights of the ethnic Albanian minorities living there.

Spain to open up airport services

By Tom Burns in Madrid

SPAIN has countered accusations by leading airlines of monopoly practices at its national airports by telling the European Commission it will deregulate the ground-handling services that lie at the centre of the controversy.

Aena, the Madrid-based airport authority, said yesterday it had told the EC Directorate-General for Competition of a programme, to start next year, that will loosen the current control that the state-owned airline Iberia exercises over passenger, ramp and cargo handling at domestic airports.

In a parallel letter to the EC, Iberia rejected allegations of "abusive behaviour" in its provision of ground services. A group of European airlines, including British Airways, KLM and SAS, had earlier complained to the Commission that Spain's national carrier levied excessively high tariffs, discriminated in favour of domestic airlines, discouraged other airlines from self-handling and provided inadequate services.

The complaints of high handling costs, also levelled against Milan and Frankfurt airports, come against a background of unprecedented losses among European carriers in the wake of the EC's "open skies" policies.

Aena has informed the EC that it will appoint second

ground handling agents at the airports of Las Palmas and Tenerife in the Canary Islands next year, and at Madrid's international airport as soon as new cargo facilities there are completed. The national airport authority added that additional agents would be appointed by 1997 at all domestic airports handling more than 1m passengers a year.

This programme is designed to meet any future proposals on the deregulation of ground services that, following the complaints, might now be discussed by the Competition Directorate-General. The new handling concessions will be open to other EC companies.

Rejecting the complaints made by fellow European carriers, Iberia said the existing tariff structure for ground services at domestic airports was laid down by Aena and it was the airport authority, not Iberia, which authorised other airlines to provide their own handling services.

The Spanish airline claimed the tariffs were cost-justified and did not imply excessive profits. Iberia said the complaints of a deficient service were based on events in 1991 when the airline suffered a series of big industrial disputes and when an overhaul of Spain's air traffic control network further disrupted normal business at the national airports.

Warsaw devalues zloty 8%

POLAND has devalued the zloty by 8 per cent against a basket of currencies of trading partners, in an attempt to boost exports. This represents a 7.5 per cent devaluation against the dollar and 8.5 per cent against the D-Mark. Christopher Bobinski reports from Warsaw.

The move comes as convertible currency reserves held by the central bank have slipped from \$4.3bn at the beginning of the year to \$3.5bn (€2.4bn) at present, as the trade deficit in the first six months of the year has grown to \$1.1bn.

The monthly "crawling peg" devaluation rate first introduced in October 1991 is also to be reduced from a monthly 1.8 per cent to 1.6 per cent.

Poland's last big devaluation was in February 1992.

Italy to accelerate public works spending

By Hagl Simonian in Milan

THE ITALIAN government is to accelerate about L10,000bn (€4.22bn) of spending on public works to create jobs and limit rising unemployment because of the recession. More than a third of the investments will go to the depressed south, where unemployment exceeds 21 per cent.

Although the spending has been welcomed, it largely represents money which has already been allocated in existing budget plans.

With fears of at least 300,000 more job losses by the end of the year, which would take average unemployment to more than 12 per cent, some economists fear that the latest steps may not be enough to fight the recession.

Most of the money will go on transport infrastructure and new buildings. About L6,000bn (€2.1bn) a year will be invested in improving rail services in 1993 and 1994, while ministers hope work on the new high-speed train project can begin by

Court freezes assets of former Ferruzzi officers

December.

Construction for the network, which will eventually link Italy's biggest cities, will begin with the Rome-Naples stretch to provide jobs in a region of high unemployment.

The 1993 budget already allows for L2,750bn of spending on the new rail system, while a further L2,500bn has been allocated for 1994.

In all, the six-year scheme, which will cost almost L24,000bn, is expected to create about 50,000 jobs.

Meanwhile, L7,500bn has been allocated to improve and update the motorway network over the next five years. The bulk will go on a new highway to take pressure off the overcrowded stretch between Florence and Bologna. The projects should create about 14,000 jobs.

Ministers said they also planned further spending to modernise the city centres and restore buildings in Genoa, Naples and Venice, three unemployment black spots.

Piqued Russian parliament overturns Yeltsin's budget veto

By Leyla Bouton in Moscow

THE RUSSIAN parliament yesterday called for the head of President Boris Yeltsin's radical finance minister, Mr Boris Fyodorov, and overturned the Russian leader's veto of its inflationary budget.

A resolution demanding the removal of one of the main architects of Mr Yeltsin's economic reforms was passed in a fit of parliamentary pique after Mr Fyodorov failed to reappear in parliament after the deputies' lunch-break.

"We need to remove Fyodorov and appoint instead a person who really cares about Russia's national interests," said Mr Veniamin Sokolov, the conservative parliamentary leader who tabled the non-binding resolution for his removal.

Earlier, Mr Fyodorov had asked them to drop their alternative budget, which would double, with "catastrophic consequences", the deficit planned by the government to more than 20 per cent of gross domestic product. "History and the people will not forgive us if such a budget is approved," he had told deputies, warning that their free-spending recipes had already failed in neighbouring Ukraine.

Mr Yeltsin has already said he will instruct the government to ignore parliament's budget plans. "Everything will

Heineken's bottle recall reaches parts of the Canary Islands

By Ronald van de Krol in Amsterdam

HEINEKEN, the Dutch brewer, yesterday added the Canary Islands to a list of eight export markets where it is recalling beer bottles, but it removed Prince Edward Island in Canada, saying the suspect bottles had not been shipped to Canada.

The brewer announced on Thursday night that it was recalling more than 3m of its famous green beer bottles from a small number of export markets, including Britain, because of fears that a fault in the neck of the bottles could cause small glass chips to fall into the beer.

Other affected countries are Austria, Finland, Hong Kong,

Heineken's bottle recall reaches parts of the Canary Islands

Hungary, Israel and Sweden. Heineken, which exports to 150 countries, said the 3m bottles were part of a 17m batch of potentially flawed 33cl bottles produced by Dutch bottle maker Versenide Glasfabrieken, majority-owned by the French food group BSN.

Most of the 17m bottles were stopped before they left the brewery or reached export markets, but Heineken wants the return of 3m bottles, some of which may have already been bought by customers.

Bottles shipped to other markets, including the US, where Heineken is the leading imported beer and is sold in 35cl bottles, were not affected.

The Dutch brewer said it held the bottle maker responsible for the problem and would seek damages to cover the costs of the recall operation.

A Heineken spokeswoman said the extent of the damages claim was not yet known: "Our priority now is warning consumers in the countries to which the beer was shipped."

Heineken said tests showed that the problem of glass slivers could arise in roughly 1 per cent of the bottles produced in the batch of 17m bottles over the past two weeks. If glass slivers were ingested, only 1 to 2 per cent of beer drinkers would develop stomach problems, Heineken said, basing its estimate on medical advice which it had received.

Heineken's shares dropped by 3 per cent when trading began in Amsterdam yesterday but closed slightly higher.

Fyodorov sacking demanded

THE RUSSIAN parliament yesterday called for the head of President Boris Yeltsin's radical finance minister, Mr Boris Fyodorov, and overturned the Russian leader's veto of its inflationary budget.

A resolution demanding the removal of one of the main architects of Mr Yeltsin's economic reforms was passed in a fit of parliamentary pique after Mr Fyodorov failed to reappear in parliament after the deputies' lunch-break.

"We need to remove Fyodorov and appoint instead a person who really cares about Russia's national interests," said Mr Veniamin Sokolov, the conservative parliamentary leader who tabled the non-binding resolution for his removal.

Earlier, Mr Fyodorov had asked them to drop their alternative budget, which would double, with "catastrophic consequences", the deficit planned by the government to more than 20 per cent of gross domestic product. "History and the people will not forgive us if such a budget is approved," he had told deputies, warning that their free-spending recipes had already failed in neighbouring Ukraine.

Mr Yeltsin has already said he will instruct the government to ignore parliament's budget plans. "Everything will

Piqued Russian parliament overturns Yeltsin's budget veto

THE continuation of a debt rescheduling agreement, which stipulated that such an agreement should be reached without specifying what would happen if it was not.

However, the parliament and president enjoyed a rare meeting of minds after he endorsed parliamentary amendments outlawing "foreign missionary activity" in Russia. The law means that foreign evangelists such as Billy Graham and various religious sects will be unable to advertise, or publicly seek converts, after complaints from the Russian Orthodox Church and others that the population is too vulnerable to material inducements for joining such organisations.

الرياض ١٥/٨/٩٣



# Bae signs deal with Taiwan for regional jet aircraft venture

Daniel Green in Taipei follows the last minute drama in negotiations to put new life into a loss-making enterprise

BRITISH Aerospace yesterday signed an agreement with Taiwanese officials on the financial structure of a proposed joint venture to build regional jet aircraft.

The deal came on the fifth day of intensive talks between a team led by Mr John Cahill, BAE's chairman, and Taiwanese bankers, politicians and industrialists.

The venture marks a breakthrough for Mr Cahill's strategy to improve BAE's profitability. The RJ series of aircraft that the joint venture will build partly in Taiwan currently loses money for BAE.

The turning point in the tough negotiations came on Wednesday when Mr Cahill and Mr Liang Kuo-shu, chairman of Taiwan's state-owned Chiao Tung Bank, initiated a draft financial structure for the venture, called Avro International Aerospace. They then sent that draft on its tortuous journey through a series of politicians and bank officials who needed to give their approval.

The final stage, a nod from Mr Lien

Chan, Taiwan's prime minister, came yesterday. The agreement was signed by Mr Cahill, Mr Liang and Mr Hou Chun-chung, chairman of Taiwan Aerospace Corporation (TAC), BAE's manufacturing partner in the venture.

It marked the end of a tough week for both sides. Taiwan's top bankers and politicians - professions which sometimes overlap in Taiwan - had just emerged from a turbulent congress of the ruling party, the Kuomintang. Mr Cahill and Mr Charles Massfield, president of BAE's Regional Jet division, had cut short summer holidays at the weekend to fly in from the US and Europe respectively.

A hectic series of meetings began at 7am on Monday morning. For the next two-and-a-half days, BAE's five-strong team visited lawyers, bankers, politicians and industrialists in their offices dotted about Taipei.

The talks were essentially over fears within the Taiwanese banking consortium

planning to lend money to Avro that the venture was too risky.

These fears were based on the knowledge that the RJ series of aircraft that Avro would build partly in Taiwan had lost money for BAE.

There were also concerns that an associated aircraft leasing company would suffer a repeat of troubles experienced by western aircraft leasing companies such as GPA.

However, the agreement involves an effective Taiwan government guarantee of loans to Avro. BAE also agreed that the leasing facility of substantially more than \$200m would only be tapped when firm orders for the aircraft came in.

There was little inkling last January when the original contract was signed that there lay ahead a gruelling struggle to convince Taiwanese banks to lend to Avro. It was almost three months after the January signing of the contracts that problems began to emerge. Mr Hou of TAC fell seri-

ously ill and was unable to work for more than three months.

US-educated Mr Denny Ko, TAC's president, was left in control of the company. But he had come from a US corporate environment, having worked for Los Angeles aerospace company TRW and run his own company in California. By his own admission, he found the transition more difficult than he had expected.

Relations between TAC and the consortium of banks slated to lend money to Avro began to deteriorate. By midsummer, the government stepped in to save the deal from collapse.

At the end of July in an attempt to improve the banks' confidence in the deal, the government officially backed Avro. But it was not enough and talks between middle-ranking UK and Taiwanese negotiating teams in Taiwan stalled.

This triggered a series of exchanges between Mr Cahill and senior Taiwanese politicians that culminated last weekend

in the arrival from various continents of BAE's top management. In spite of yesterday's signing, compromises have yet to be worked out on some of the non-financial conditions.

These differences, and the incorporation of the Chiao Tung Bank into existing contractual arrangements between BAE and TAC, are to be completed at meetings in London on September 6.

After that, the way should be clear for Taiwan to begin working on RJs in the spring of 1994.

At BAE it is a lifeline for the RJ programme, which began life in the late 1970s as the BAE 146. Its early days were dogged with technical difficulties and the company struggled to improve the reliability of the aircraft.

By 1991, reliability had reached international standards, but competition from the likes of Dutch company Fokker, and a growing recession, didn't help sales.

At the start of 1993, therefore, BAE

decided to seek international partners, hitting almost by accident on Taiwan just as a proposed joint venture between Taiwan and US aircraft manufacturer McDonnell Douglas began to founder.

Mr Cahill made his first visit to Taiwan in May 1992. In January 1993, he and Mr Ko signed a manufacturing agreement in London, but it was only yesterday that the financial structure of Avro was resolved.

For Taiwan, the offer from BAE came at an opportune time. Some of the difficulties with the McDonnell Douglas proposals did not apply with BAE: its aircraft were proven designs, the investment would be in the hundreds of millions of dollars, rather than billions, and there was a larger potential market among domestic carriers flying short trips across Taiwan's rugged countryside.

And as one leading Taiwanese lawyer put it this week: "Two failed attempts to set up an aerospace joint venture looks bad."

## China jails star village official

By Tony Walker in Beijing

CHINA has jailed one of its best-known businessmen for 20 years for obstructing justice. Mr Yu Zuomin, former chairman of the board of an entrepreneurial village near Tianjin, had been held up as a national model of the new breed of Chinese entrepreneurs until he fell from grace.

Mr Yu's sentence coincided with the passing of death sentences in Beijing against four officials, including one from the Bank of China, for corruption.

China launched a drive this week to root out corrupt officials whose activities had been fuelled by the economic boom. The execution of several hapless individuals had been expected. Chinese describe this process as "killing a chicken to frighten a monkey," meaning that lesser officials are being dealt with severely as an example to more senior cadres.

Corruption has become a pervasive force in China, reaching high into the ruling Communist party. Top officials and their families are engaged in business activities from dealing in cars to speculating in real estate.

Mr Yu of Daqiu village near Tianjin, which had become something of a national entrepreneurial shrine, was found guilty of harbouring criminals, obstructing justice, bribery, unlawful detention and unlawful control of people.

Mr Yu's arrest followed the beating to death of a worker in his village, and his attempts to cover up the crime. His sentencing is certain to capture attention throughout China since Mr Yu had been hailed by party bosses for his money-making skills and elevated to the national parliament. He coined the slogan: "Only by looking money-ward can you look forward."

Beijing yesterday threatened to reconsider its commitment to a key international missile control agreement in a furious protest against a US ban on the export of high-technology items to China.

Mr Stapleton Roy, the US ambassador in Beijing, was summoned to the foreign ministry, to be told of Chinese anger over the US action which followed accusations that Beijing was exporting missile components to Pakistan.

Mr Liu Xiaomeng, China's vice foreign minister, told Mr Roy the US sanctions "puts Sino-US relations in serious jeopardy".

**Minister cleared of corruption**

By Kieran Cooke in Singapore

MALAYSIA'S official anti-corruption agency has cleared Mr S Samy Vellu, Malaysia's energy minister and head of the Malaysian Indian Congress (MIC) political party, of any criminal offence in relation to a share transaction nearly three years ago.

The Malaysian opposition had accused Mr Samy Vellu of "hijacking" millions of shares in Telekom Malaysia when the telecommunications company was partially privatised in October 1990.

The shares had originally been allocated by the government to the MIC and Malaysia's Indian community.

The anti-corruption agency said it was satisfied that neither Mr Samy Vellu nor anyone else had unlawfully utilised the Telekom shares and declared the case closed.

## Nigeria's oil workers to strike

Challenge to legitimacy of new government

By Leslie Crawford in Lagos and Michael Holman in London

NIGERIA'S political crisis deepened yesterday as oil workers prepared to strike and the winner of the annulled presidential election promised to form a rival government.

Oil workers are challenging the legitimacy of the country's military-installed government with an indefinite strike starting today that could seriously disrupt the vital petroleum industry, which accounts for more than 90 per cent of export earnings.

Nupeng, the oil workers' union, called the strike to demand a democratically elected government based on the June 12 presidential election, annulled by Gen Ibrahim Babangida, the military leader who quit office on Thursday.

The unofficial winner of the election, Chief Moshood Abiola, yesterday dismissed the appointment of an interim government headed by Mr Ernest Shonekan as "a non-event", and said the new council "represents nobody but Ibrahim Babangida and a small clique".

"By the end of next week I will be in Lagos," he said in London. "It will be a real government I will form."

Mr Clement Akpambo, justice minister in the interim council installed on Thursday, said such a move would be

treated as "insurrection".

However, the pressing concern in Lagos yesterday was the impending strike. Oil executives said it could close refineries and disrupt distribution to petrol stations. But they said essential services, including the production of crude and loading tankers, could be maintained by supervisors.

The strike was expected to exacerbate the severe fuel shortage that has brought Lagos and southern Nigeria, the country's economic heartland, to a virtual standstill.

Lagos was deserted yesterday on the third day of a stay-at-home protest organised by pro-democracy activists. But in the north, Nigerians seemed more inclined to accept the new administration.

Secrecy still surrounds the mandate of the new government, which was hastily put together by Gen Babangida when a bid to extend his strongman rule was blocked by fellow officers.

Nigerians have not yet been told how long this "interim national government" will remain in office. In a country propelled by rumours, speculation is that Chief Shonekan will call fresh elections within nine months.

Gen Babangida appears to have overlooked the naming of a new head of state - a post he was presumably keeping for



Chief Abiola in London yesterday where he promised to form a rival government in Lagos

himself. The post of commander-in-chief of the armed forces is also vacant following Gen Babangida's forced retirement on Thursday.

Chief Shonekan's 35-member cabinet, including

representatives from each of Nigeria's 30 states, was sworn in yesterday.

Nigerians in the Moslem north, which has traditionally held the reins of political power, appeared satisfied

with the new regime.

In Lagos, however, several businessmen were scathing about the calibre of Chief Shonekan's team and doubted his ability to reverse Nigeria's economic decline.

## Shamir speaks out amid hope of deal with PLO

By Julian O'zanne in Jerusalem

MR Yitzhak Shamir, Israel's former right-wing prime minister, yesterday accused the government of rushing to give away land to Palestinians and demanded elections, in a bid to dampen recent excitement about an imminent peace deal.

Mr Shamir was reacting to statements by Mr Shimon Peres, Israel's foreign minister, and senior officials of the Palestine Liberation Organisation that the two sides were close to a self-rule deal which would be agreed at next week's peace talks in Washington.

Mr Shamir said the issue was too important to be left to the government alone in a country divided over the peace process. "If someone wants to decide on changing borders he has to go to the people," he said.

Leading Israeli newspapers said yesterday that Mr Peres had met senior PLO officials during a recent visit to Scandinavia to hammer out the plan for self-rule in the Israeli-occupied territories.

Since his return, Mr Peres has been making upbeat statements saying Israel is prepared to withdraw troops from the occupied Gaza Strip and the West Bank town of Jericho - a scheme dubbed Gaza-Jericho First - as part of a comprehensive peace agreement with Palestinians.

His optimism has been shared by several PLO officials.

On Thursday Mr Saleh Ra'afat, a PLO central council member, said Israel and the PLO had finalised a provisional accord on partial Palestinian control in the occupied territories after secret high-level contacts. Mr Ra'afat said the agreement centres on the Gaza-Jericho First plan combined with an interim phase of self-rule throughout the rest of the territories.

However, political analysts believe the optimism may be misplaced. The Gaza-Jericho idea is understood differently by both sides and has caused a major revolt inside the PLO by hardliners who are against making any concessions to Israel that would leave any part of the occupied territories under Israeli control, even during an interim phase.

Mr Yasir Arafat, PLO chairman, was yesterday holding emergency talks in Tunis aimed at diffusing the revolt, also driven by criticism about his leadership style and the PLO's financial crisis.

In addition neither side has so far outlined any breakthrough in the fundamental obstacle in the peace talks - who should control occupied Arab East Jerusalem and the Israeli settlements in the territories during an interim phase of self-rule.

## Docile candidates fail to fire Singapore's voters

By Kieran Cooke in Singapore

AFTER a campaign remarkable only for its lack of political vigour, Singapore goes to the polls today to elect a president.

Mr Ong Teng Cheong, a leading light in the governing People's Action Party (PAP), who resigned as deputy prime minister to run for president, is favourite to become Singapore's first elected president. Mr Ong is opposed by Mr Chua Kim Yeow, a former banker and senior government official.

Two critics of the government were declared ineligible

to stand for president under a law which, in effect, rules out all but senior members of Singapore's establishment.

Both Mr Ong and Mr Chua have led low-key campaigns which have generated little excitement. In a final televised election address, Mr Ong rejected criticism that he would be a tool of the PAP as president. "Some people still ask if my long association with the PAP will stop me from acting independently," said Mr Ong. "The answer is No. My loyalty, first and foremost, is to the people of Singapore."

Mr Chua has shyly admitted

that he was pressured into standing for president because the government wanted a contest. But Mr Chua did cause a small political spark in his election address by saying that the absence of an effective opposition in Singapore was worrying many people.

"The PAP dominates the government and the legislature," said Mr Chua. "Do you want the PAP to dominate the presidency as well?" Singapore's new president will have some executive powers, including a veto on government spending of the country's US\$46bn reserves.

## Japan negotiates plan to lift flagging economy

By William Dawkins in Tokyo

JAPAN'S ruling coalition yesterday opened what is set to be painful internal bargaining over a plan to lift the flagging economy, due to be tabled in mid-September.

Government departments have proposed more than 70 deregulation measures, although details are still confidential, said ministers after a cabinet meeting.

The Japan Research Institute, a private body, estimated that more than 1m new jobs and over ¥10 trillion (\$64bn) high-tech exports could be created by curbing government regulations on industry. However, the outcome depends on the details of the proposals and how many of them survive the intense inter-ministerial bargaining.

An indication of the difficulties ahead came when Mr Hiroshi Fujii, the finance minister, yesterday quashed speculation that the government would cut income tax to try to stimulate consumer spending.

Mr Morihiro Hosokawa, the prime minister, wants tax reductions, yet the powerful bureaucrats of the finance min-

istry administration oppose cuts. Mr Fujii himself used to be a finance ministry bureaucrat as director general of the powerful budget bureau.

One controversial draft proposal made public yesterday is to ease the present 2,000 kilobit-per-year minimum production allowed for Japanese brewers. If made law, this would break the 30-year four company oligopoly of Kirin,

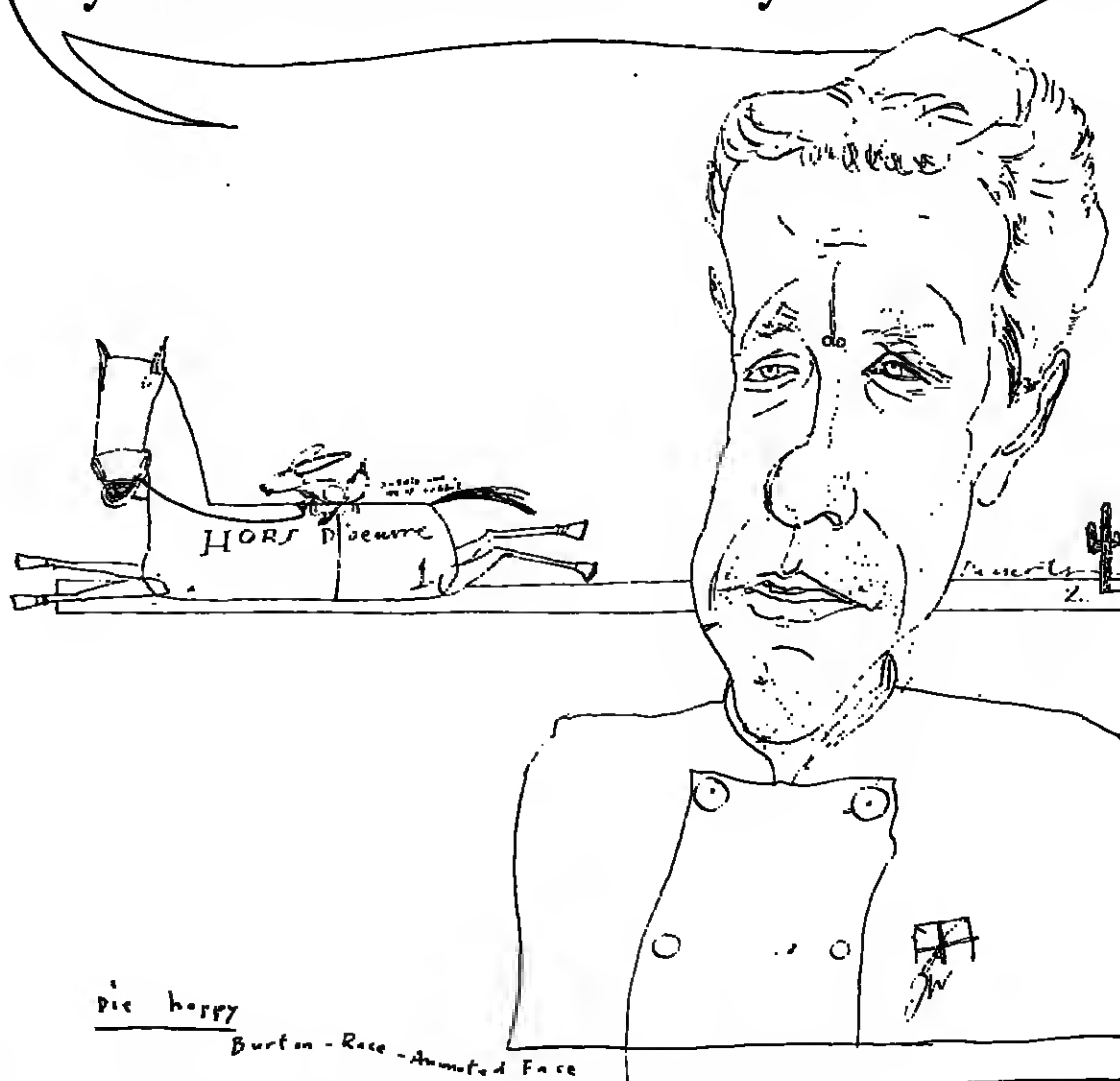
Asahi, Sapporo and Suntory - the only brewers big enough to qualify - and is likely to run into fierce opposition from them.

Mr Ishida will hold an emergency meeting with ministerial colleagues responsible for the economy next Tuesday before starting negotiations with the ministries involved.

Further evidence of Japan's deepening economic gloom came yesterday from the latest jobless figures, showing there were only 72 job offers for every 100 applicants last month - the lowest for six years - down from 74 in June. However, the unemployment rate remains unchanged at a seasonally adjusted 2.5 per cent.

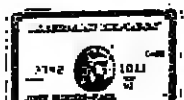
Consumer spending remains sluggish, as big retailers yesterday said sales fell 5 per cent last month from the same period last year, the 14th consecutive monthly drop. These figures add weight to fears that the recovery might be further away than some government economists had expected and will increase already heavy pressure on the coalition to find a way to improve consumer confidence.

I've only ever REALLY been satisfied by two<sup>2</sup> or three<sup>3</sup> dishes in my life.



L'Ortoan restaurant. American Express Cardmembers welcomed since 1987.  
John Burton-Race, Chief. Cardmember since 1991.

That'll do nicely. →





## NEWS: UK

# British Coal fails to find takers for four pits

By Michael Smith

HOPES FOR saving four pits no longer required by British Coal finally ended yesterday when it emerged that an invitation to private-sector operators to mine them had produced no takers.

The disclosure will disappoint the government which is already struggling to find a way of providing a future for another 30 mines still operated by British Coal.

Further closures among the 30, which include 11 reprinted by the

government in March, are considered inevitable by British Coal following a steeper-than-expected decline in the coal market.

With a strong political reaction to future closures likely, ministers want the private sector to take over as many as possible of the 19 pits already declared surplus to requirements by British Coal.

British Coal has been advertising the 19 pits in tranches of four and five. In the latest tranche - the third - private-sector companies were offered five pits. Just one, Trentham,

near Stoke-on-Trent, is the subject of a bid that involves mining.

The bidder's identity was not disclosed by British Coal yesterday but it is thought to be Mr Malcolm Edwards, the corporation's former marketing director.

Trentham and Vane Tempest in County Durham, another of the five in the tranche, together attracted four bids. However, three involve proposed activities on the colliery surfaces.

The other three pits in the third tranche, Grimethorpe and Houghton

Main, in South Yorkshire, and Westoe, in Tyne and Wear, attracted no offers for the final stage of the process in which bidders had to provide a £50,000 bond.

British Coal is likely to move quickly to seal the four pits which are no longer wanted as mines, although local union officials will have to be consulted.

Together the four employed more than 3,500 miners when they stopped coal.

British Coal has now closed the bidding deadline for 14 of the 19 pits

it no longer wants to mine. It has received 17 tenders in all for 10 of them but four pits have attracted no interest - the three disclosed yesterday together with Bolsover in Derbyshire.

In addition three pits - Cotgrave and Silverhill, in Nottinghamshire, and Vane Tempest - are the subject of bids that involve use of surface assets only.

Another five mines have still to go out to tender. These are Shirebrook in Nottinghamshire, Taft Marthor in Glamorgan, Coventry near Coventry

city, Parkside in Merseyside, and Sharlston in Yorkshire. Coal analysts believe it is unlikely that mining will be resumed at more than six of 19 pits which have been closed by British Coal.

British Coal yesterday closed its north-east headquarters - with just two working pits left in the region which once employed 150,000 miners at more than 100 pits, the centre at Sunderland employing 45 people was considered unnecessary. The corporation will administer its north-east operations from Nottingham.

## Private schools improve A-levels

INDEPENDENT schools improved their A-level performance this year by 2.2 per cent, according to figures from the Independent Schools Information Service, John Authers writes.

Analysis by the Financial Times shows that the strongest results have again come from big-city single-sex day schools. Most of the top 20 schools have shown remarkable consistency over the last six years.

St Paul's School in Barnes, south-west London, finished first. In terms of the points system used to judge A-level results, its average score per pupil was 29.4. A score of 30 would be equivalent to three A grades.

The highest-placed fully co-educational school was Leicester Grammar, at 29th.

Details, Weekend FT Page X

## In-house bid advice for civil servants

By Alison Smith

CIVIL SERVANTS have been given advice on how to improve their chances of keeping their jobs when government departments face competition from the private sector.

Detailed advice on how to prepare an in-house bid has been included in the revised guidance on the market-testing programme, which was published yesterday by the Office of Public Service and Science.

The new guidelines reflect experience since last autumn, when Mr William Waldegrave, the public services minister, announced a programme to test whether some £1.5bn of government activities would be performed more efficiently by officials or by the private sector.

Officials in Mr Waldegrave's department admit privately that not all departments will meet the market-testing targets set for the end of September, but say that delays arise merely from the necessary procedures rather than a lack of enthusiasm. They emphasise that departments which fail to achieve the targets by the deadline will be expected to meet them in the following months. This is in addition to proceeding with the next tranche of the programme which starts in October and is intended to cover a further £1bn to £2bn of government activities.

Earlier this summer Mr Waldegrave had to call on Mr John Major, the prime minister, to put pressure on departments that were falling behind in the programme.

The guidance was revised after discussions with departments and Civil Service unions, and also takes account of private-sector suggestions. It does not include a revision of advice to departments on the impact of regulations designed to protect the rights of workers in takeovers and mergers. This will be updated as case law develops.

The application of the Transfer of Undertakings (Protection of Employment) regulations, which guarantee the jobs and pay of existing workers in many cases when work is contracted out, has caused some confusion in Whitehall.

The Government's Guide to Market Testing, HMSO, £2.95.

## Struggling Group Lotus finds Italian saviour

By Kevin Done, Motor Industry Correspondent

THE TAKEOVER of Group Lotus by Bugatti brings together unlikely bedfellows.

Rittore Bugatti, the Italian creator of some of the world's most beautiful classic cars, died in 1947, and his car factory in France had already ceased production by the early 1950s in the aftermath of the war.

In the UK Colin Chapman, one of the most creative and successful designers of racing cars only started up in the early 1950s.

His company has had a chequered history and never achieved a financial strength to match its success on the grand prix racing circuits.

Group Lotus struggled to survive both before and after Chapman's death in 1982. It has proved to be none too secure in the hands of General Motors since 1986, and last year recorded a pre-tax loss of £36.6m on a turnover of just £60.98m.

General Motors was forced to put in £18m to repair the battered Lotus balance sheet in 1991, and the reverses convinced the giant carmaker that it had neither the desire nor the management resources to cope with such a small and specialised business.

Group Lotus losses have grown from £2.1m in 1988 to £14.7m in 1991 and the record £36.6m last year.

However, in the past 12 months General Motors has been restructuring the business to ready it for disposal.



Entrepreneur Romano Artioli, lifetime lover of Bugatti cars

Following the demise of the Elan sports car, Group Lotus has limited production to just one model, the Esprit luxury sports car, of which it is planning to build 350 this year. The workforce has been cut from 1,717 in 1990 to about 700.

Now the latest saviour has come from Italy in the shape of entrepreneur and life-time Bugatti lover, Mr Romano Artioli, who holds an 18 per cent stake in Bugatti Automobili.

He has recreated the Bugatti marque - supported by unnamed financial backers in the European automotive components industry - both as a maker of exotic and expensive cars and as a designer label for exotic and expensive fashion items, from sunglasses to tableware.

The first car of the new

Bugatti company, which was created only in 1987, was the EB110 supercar unveiled early last year with a mid-mounted 550 bhp V12 engine, carbon-fibre chassis and four-wheel drive. Production began in December and 47 have been delivered to date.

Bugatti Automobili is based at Campogalliano near Modena, not far from the homes of Ferrari and Lamborghini.

Mr Artioli was at one time a Ferrari dealer and is now the Suzuki distributor in Italy, but Bugatti has been his passion for 40 years.

His campaign to revive the marque began in 1987 when he negotiated with the French government for the rights to the Bugatti name and badge.

Ettore Bugatti was born in Italy, but the cars that made him famous were produced in Molsheim in the Alsace region of France. After his death in 1947, the factory was taken over by Hispano-Suiza which eventually became part of Aerospatiale, the French state-owned aerospace group.

The Bugatti holding company is registered in Luxembourg and its shareholders remain anonymous.

National union officials have been called in to try and prevent industrial conflict at Vauxhall motor company after shop stewards representing 9,000 workers rejected a two-year pay offer.

The company said yesterday that it was "disappointed" at the outcome. On Thursday it offered a rise of 2.1 per cent this year and 2.6 per cent next year.

## Sugar in move to block Venables

MR ALAN Sugar, chairman of Tottenham Hotspur, has

launched a court move to "strike out" a legal attempt by Mr Terry Venables to seize control of the football club.

Mr Sugar says Mr Venables, the club's former chief executive, should be blocked from pursuing his action because he has still not paid the £300,000 "security for costs" demanded by the High Court as a condition of being allowed to continue with the case.

The payment, ordered on July 23, was due by August 19. The deadline was not met and Mr Sugar is to apply on September 13 for a court order striking out the action.

Mr Venables has already made an application for extra time to pay the money - but that plea is not due to be heard until October.

Yesterday Mr Justice Lindsay granted Mr Sugar's lawyers an order for production of official transcripts of the July 29 hearing for use in the strike-out move.

Mr David Mabb, counsel for Mr Sugar, his holding company Amshold and Tottenham Hotspur, said it was "some what curious" that Mr Venables' plea for extra time was scheduled for October - well beyond the 21-day extension he was seeking.

Mr Sugar issued the strike-out application after failing to obtain an explanation from Mr Venables' solicitors as to the basis of the plea for more time.

## Stores defend credit card interest rates

By Philip Coggan, Personal Finance Editor

STORE GROUPS offering their own credit cards which were attacked by the Labour party this week for charging allegedly extortionate interest rates claim there are good reasons for charging higher rates than those levied by bank credit cards.

Ms Elizabeth Stanton, director of the Retail Credit Group, which represents large retailers who offer credit, said that the average amount outstanding on store cards, at £183, is far less than the £420 typical of bank credit cards. Stores have to recoup their fixed costs over this smaller sum, she added, which is why store-card rates are higher.

Furthermore, holders of store cards often benefit from special offers - such as discounts on goods - which are not available to holders of other credit cards. Also, those who pay their card accounts in full each month do not pay interest.

Members of the Retail Credit Group report that while sales on credit rose 11.5 per cent year-on-year in the first quarter of 1993, the amount of outstanding balances fell 11 per cent to £1.4bn.

Labour said on Thursday that the average margin over base rate charged on store cards had risen from 18 per cent in 1990 to 21 per cent. Labour said the most expensive card was operated by Dix-

ons, which charges 24.4 per cent to customers who do not pay their accounts by direct debit.

Store cards represent only a small part of the consumer credit market. The total value of store-card transactions last year was £3.2bn, according to a survey by Datamonitor, a market-research group. This represents only 10 per cent of other credit cards.

Furthermore, a few store groups dominate the market. According to Datamonitor, Marks and Spencer's card accounts for almost a third of all consumer store-card expenditure. John Lewis, the Burton Group and the House of Fraser account for another 41 per cent of the market.

Cards are attractive to store groups because they encourage customer loyalty and provide valuable marketing information. A group such as Marks and Spencer, which does not accept other credit cards, will save substantially on the fees it would otherwise have paid to credit-card companies.

Nevertheless, the costs of running a store-card operation caused several retailers in the late 1980s and early 1990s to sell their card operations to outsiders who could run the business more cheaply.

GE Capital, for example, bought the card operation of the Burton group. And retailers have had limited success in selling other financial services to their card-holding customers.

## Bottomley warns troubled hospitals to cuts costs

By Richard Donkin

MRS VIRGINIA BOTTOMLEY, the health secretary, yesterday warned two London hospitals to cut costs after they ran into funding difficulties just five months into the financial year.

The Department of Health last night confirmed that four other hospitals in the capital - the Royal London, the Royal Orthopaedic, the Royal Ear Nose and Throat and the Haverling - have been asked to cut back on some non-urgent operations.

Mrs Bottomley's warning to University College Hospital -

one of the capital's biggest teaching hospitals - and Middlesex Hospital underlined the government's intention to take a firm stand against inner-city hospitals which fail to bring their spending into line with contractual obligations.

UCH and Middlesex Hospital, both part of the UCL Trust, have been forced to stop carrying out routine operations after exceeding targets imposed by Camden and Islington Health Authority.

The hospitals had treated 500 patients too many, putting them 21 per cent over budget by the end of June. Ms Alyson

MacRae, the health authority manager, said the hospitals had exceeded their contracts.

She said: "If they were allowed to treat everyone on the waiting list as they wanted to, the contract would be used up, leaving no more funds for the urgent cases. We took this action so that they did not treat too many people on the waiting list too fast." The authority had no contingency or reserve funds for hospitals that exceeded their contracts.

The health authority said it was monitoring non-urgent cases "very closely" at St Bart-

holomew's Hospital with which it also has a contract. Individual cases were being referred to the authority for approval.

UCH, like many of the large inner-city teaching hospitals, has seen demand for its services dwindle as shire health authorities, which used to refer patients, started to use local hospitals under the contracting system.

A spokesman for UCH and Middlesex Hospital admitted that management might not have lived up to financial pressures quickly enough. He said the hospitals had known that the contract could not cover

the expected number of patients based on previous years, but managers had hoped that more money could be made available.

The hospitals now plan to shed between 20 and 30 consultants' posts and up to 40 non-medical staff as part of a cost-cutting exercise designed to save £10m this year, he said.

Mrs Bottomley said that costs of treatment at the hospitals were high compared with The Royal Free or St Mary's, two other London hospitals. "For every two patients treated at UCH and Middlesex and Bart's more than three could

be treated at the other hospitals," she said.

Mr Geoff Martin, campaigns director of London Health Emergency, a pressure group backed by Labour-controlled local authorities, warned that similar cuts could happen elsewhere in London and in other large urban areas.

He said: "We know of other health authorities in London with similar financial problems. We are in a situation where before Christmas we could have a blanket ban on non-emergency operations across the whole of inner London."

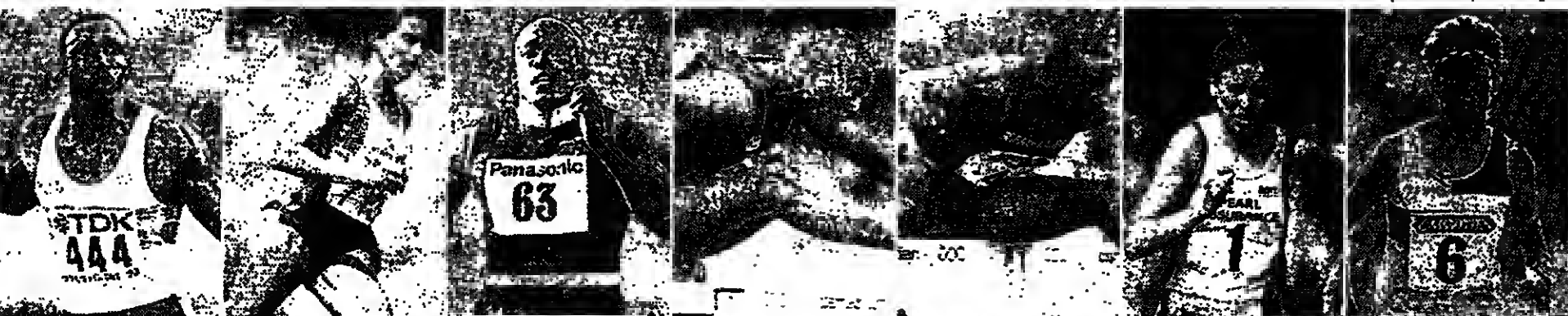
## Poster contractor to be privatised

LONDON Transport Advertising (LTA), the capital's largest poster contractor, is to be privatised.

LTA is an internal department of London Transport, which generates £23m a year from the sale of poster space on Underground stations, trains and buses.

LTA is to be established as a subsidiary company within London Transport employing all existing staff of 300. This company will be offered for sale.

## Take the money and run



Linford Christie: £30,000 a race Sally Gunnell: £20,000

John Regis: £15,000

Colin Jackson: £10,000

Tony Jarrett: £10,000

Liz McColgan: £10,000

Yvonne Murray: £7,000

## Top athletes compete for medals and sponsorship gold

BRITISH ATHLETICS goes into its end-of-season meeting at Sheffield tomorrow trying to work out how to build on the successes of last week's World Championships in Stuttgart.

There Linford Christie won the 100m in the second-fastest time ever and Colin Jackson, in the 110m hurdles, and Sally Gunnell in the 400m hurdles, both broke world records.

The plan being considered by the British Athletics Federation is to put Britain's top 50 to 75 athletes under contract. The idea is that British athletes will commit themselves to supporting federation events and in return will receive some guaranteed income, medical screening and medical insurance.

Mr David Bedford, honorary secretary of the BAF, said that the principle had been agreed for some time and now the federation was discussing the practicalities of the scheme.

Britain's world champions are in

demand at all the big grand prix meetings around Europe. But for many British athletes the eight or nine domestic televised meetings a year controlled by the federation represent the largest chunk of their incomes.

Nevertheless the federation scheme is regarded with scepticism in some quarters. Fatima Whitbread, the former javelin world champion and world record holder, said: "I don't know where they are going to get the money from. All the athletes had a good laugh. Athletes are individuals, most do not want to be tied down."

She said that athletes want to be able to tinker with their competition schedules throughout the season to make sure they peak for the big events, such as the World Championships and the Olympics. These events do not pay appearance money, but provide the prestige which increases earnings.

Following victory at the World Championships, Christie, Gunnell and Jackson look set to break earnings records, Peter Berlin writes

Whitbread is president of a promotional club, the Chafford Hundred, which she founded with Christie and Jackson to promote athletes. British athletes who wear the logo of Lucozade, the soft drink, are part of the club's multi-year deal with SmithKline Beecham which Whitbread says is worth £1m.

So what is the earnings potential of the UK's top track and field stars?

Christie earns far more than any other British athlete. His earnings kept after he won the 100m in the Barcelona Olympics last year and he can expect another spurt in his

income after his win in Stuttgart. Even so he is still behind Britain's top soccer players and a long way below the world's best-paid boxers, golfers and tennis and basketball players.

Gunnell is the next highest-paid British athlete and Jackson should reach her level after finally winning a big championship.

Below them is a small group of well-paid runners but the rest of the British team, even some who reached finals in Stuttgart, are struggling to get by.

Gunnell has complained about the disparity between her race fees

and Christie's, arguing that she is a world record holder while Christie is not.

One newspaper estimated that the British men's 100m relay team of Christie, Jackson and two individual silver medalists Tony Jarrett and John Regis, which finished second to the US in Stuttgart, is worth £2.2m while the women's 400m team, which Gunnell anchored to a bronze medal, is worth £80,000.

One leading promoter said: "The only one of those who earns anything other than a living wage is Sally and I would be flabbergasted if she earned that much [close to £200,000]."

Athletes' incomes come chiefly from fees and prize money for races, and sponsorships and endorsements. The highest sponsors are sportswear companies. Christie has a long association with Puma, the German sportswear manufacturer. Gunnell has a contract with

Mizuno, the Japanese company.

But even athletes of this stature are not secure. Last year Jackson, who is also now with Puma, was dropped by Puma's great German rival, Adidas. Paul Magner, sport manager (running) for Adidas UK, said the company decided to concentrate on road running and training shoes because while sprinters such as Jackson offer marketing spin-offs, the market for running spikes is small.

The jewel in Adidas's crown is an athlete who no longer competes: the former decathlon Olympic champion Daley Thompson. Thompson is now a television pundit.

"We got excellent coverage from Daley appearing on the BBC in branded clothing," said Mr Magner. Among competing athletes the next level is represented by young runners with potential such as Curtis Robb, 21, who finished fourth in the 800m in Stuttgart. After Robb

personal appearance. These are limited, however, by training, racing and commitments to leading sponsors.

Sally Gunnell, Olympic and world 400m hurdles champion, has a contract with the Mizuno shoe company worth £220,000 over three years. Her race fee is £20,000 and her personal appearance fee is £3,000.

Colin Jackson's race fee is £10,000. But that will rise following his victory and world record in the 110m hurdles at the World Championships in Stuttgart. His personal appearance fee is £3,000.

reached the Olympic final last summer he was, said one observer, the subject of a "bidding war".

He ended up with a contract worth £20,000 a year for four years from Nike. Mr Simon Taylor of Nike UK said Robb was also part of Nike's global bonus structure which rewards performances in everything from national championships to Olympic Games.

The real problem is that athletics is a poor draw in the US, the world's biggest market. Earnings pale alongside Nike's contracts with Andre Agassi, the tennis player, and basketball stars such as Michael Jordan and Alonzo Mourning.

Jordan's contract is worth an estimated \$20m (£13.5m), while Mourning's is put at \$15m for five years. The runners therefore still have a long way to go. But, as Whitbread says: "It does not matter how many gold medals you win, there is only so much money in the pot."



## Customers more likely to shop around as premiums increase

# Switch trend hits insurers

By Richard Lapper

### THE COST OF INSURANCE

CONSUMERS ARE increasingly likely to shop around for cheaper insurance policies in the face of rising premiums, a survey published this week says.

The number of people switching to another insurer almost doubled between September 1991 and March 1993, from 1m to nearly 2m, NOP Corporate & Financial, the market research company says in the survey.

NOP, whose survey is based on interviews with 30,000 people, said sharp increases in premium rates had been the biggest factor.

Rises in premiums for motor and household averaged 20 per cent a year in 1991 and 1992, but many policyholders have faced much greater increases as companies have changed the way they rate risks.

Householders living in areas judged to be prone to subsidence or storm damage have faced increases of more than 100 per cent. Drivers of faster or fashionable cars, which are more likely to be stolen, as well as younger drivers who tend to have more accidents, have been hit by steep increases.

Different insurance companies often rate the same risk in a different way, with correspondingly wide variations in quotes.

A random sample of six risks by SelectDirect, a telephone-

Household risk  
Building: Sum insured - £80,000.  
Contents: £25,000 and all-risks cover of £2,500 for a householder based in Stockport, Cheshire postcode SK08.  
Cheapest £229.75. Most expensive £381.00.

Building: Sum insured £150,000.  
Contents: £40,000 and all-risks cover of £5,000 for a householder in Farnborough, Hampshire GU14.  
Cheapest £392.69. Most expensive £595.98.

Motor risk (assumes £100 of each claim paid by policyholder)  
Volkswagen GTI for a female driver aged 22 with a five-year no-claims bonus based in Brighton, East Sussex postcode BN1.  
Cheapest £289 (with extra £50 compulsory excess and installation of acceptable security device). Most expensive £1,254 (assumes £75 extra compulsory excess).

Ford Fiesta for a 30-year-old woman with five-year no-claims bonus based at Westcliff-on-Sea, Essex postcode SS0.  
Cheapest assuming additional £100 excess - £363.60. Most expensive £509 - again assuming additional £100 excess.

Jaguar XJ6 for 40-year-old male driver living in London SW5 with a five-year no-claims bonus, assuming £100 excess.  
Cheapest £798.21. Most expensive - assuming additional £75 excess - £1,805.

Vauxhall Cavalier for 23-year-old male in Cardiff CF4 without no-claims bonus.  
Cheapest £1,100, including additional £150 excess. Most expensive £2,324 - including an additional £250 excess.

These are the "cheapest" and "most expensive" insurance quotes offered for a six randomly selected sample household and motor risks. Data has been collected by SelectDirect, a broker which is a joint venture between Rollins Hudig Hall and General Accident.

based company jointly owned by Rollins Hudig Hall, the insurance broker, and General Accident, the composite insurer, showed variations of more than 100 per cent.

Mr Peter Friend, managing director of SelectDirect, said that the differences reflected the limitations of the data

available to insurers. Decisions are often taken on the basis of claims to the insurance company rather than market-wide figures.

Mr Friend added: "Every underwriter believes he is right. The fact is that at the end of the day they all make different decisions because

they have all got partial information."

Policyholders who switch their household cover tend to be younger and from the ABC1 social classes, with the C1 group being most likely to switch, the survey says. In the motor insurance market switchers tend to be very young and from the C2DE social classes.

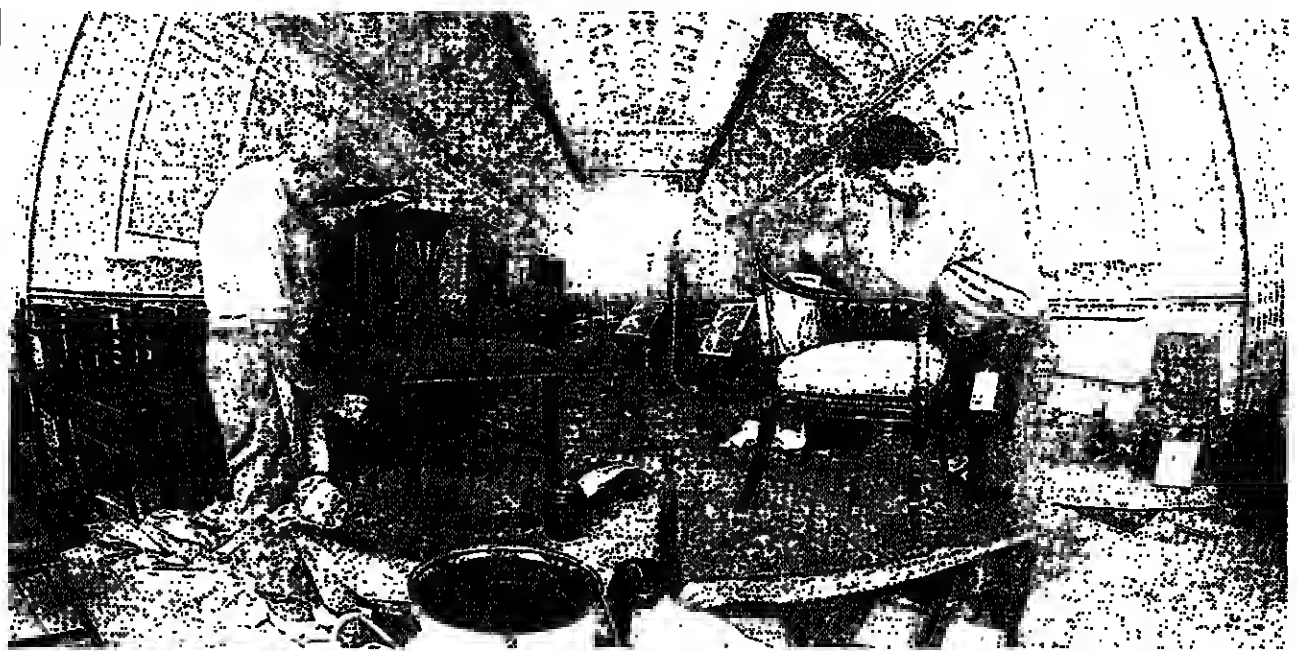
Londoners are most likely to switch their policy in the household markets, while those in the Midlands and Wales are the most likely to change motor insurer. The survey adds that women are more likely to switch household policies, while men are more likely to switch their motor insurance policy.

However, most policyholders are still unlikely to change their cover. The survey shows that 60 per cent of household policyholders and 39 per cent of motor policyholders were unlikely to seek alternative cover.

Ms Heather McAdam, NOP director, said: "There is still an awful lot of inertia in the marketplace."

Even so, the Consumers' Association welcomed news of the trend.

Mr Roger Taylor, a senior researcher, said: "It's excellent news. We have been saying for some time that some insurance companies are charging outrageous premiums and our advice has always been that people should shop around."



The final touches are made to a two-year, £11.1m refurbishment of Manston House, the Lord Mayor of London's official home

## Mutual assurers 'in survival fight'

By Scheherazade Deneshkhu

TRADITIONAL life offices - the mutual assurance companies owned by their policyholders - will have to fight competition from banks and building societies to survive, a report to be published next week says.

Life Assurance 1993, to be published on Friday by Mintel, the market analysts, says the life assurance market has become overcrowded both with new domestic players, such as the newly established insur-

ance arms of some banks and building societies, and with foreign companies entering the market.

This has led to pacts, such as Halifax's exclusive distribution agreement with Standard Life, as well as foreign buy-outs such as the purchase of Equity & Law by Axa, the French insurance group.

The link-up between life offices and banks and building societies benefits both partners. The life office gains a valuable distribution channel while the banks and building

societies earn commission for the sale of life products.

Mr Paul Hersey, Mintel's senior finance analyst, said: "The mutuals are disappearing slowly. The traditional medium-size Scottish offices are coming under attack... The traditional composites will also suffer unless they make a firm decision regarding which segment of the market they want to target."

The survey also reports that the independent financial adviser is winning the confi-

dence of clients. People are less prepared to return to their bank manager for further financial advice, it says. In 1991, 34 per cent of those who sought financial advice in the previous 12 months said they would go back to the bank manager, but that declined to 26 per cent this year.

Yet 17 per cent would return to their independent adviser for further advice, compared with 13 per cent in 1991.

Life Assurance 1993. Mintel International Group, 18-19 Long Lane, London EC1A 9HE. 1795.

## Little-known winners share the LWT corporate jackpot

THE 16 top executives at London Weekend Television who will become paper millionaires next week as a reward for investing in a £3m golden-handcuffs scheme before the 1991 franchise auction will not be the only people feeling prosperous at the company.

Leaving aside the 16 - who include such well-known names as Sir Christopher Bland, chairman; Mr Greg Dyke, chief executive; and Mr Melvyn Bragg, arts controller and presenter of the South Bank Show - there are plenty of lesser-known winners of

Rachel Johnson on the 54 people who will become rich by virtue of the golden-handcuff scheme

LWT's corporate jackpot, making a total of 54. All those who benefited from the scheme were in management at some level, but why were they so richly rewarded?

Those who left LWT before Sir Christopher Bland dreamt up the golden handcuffs scheme, or were not senior enough to participate in it, struggle to give even-handed replies.

Mr Anwar Badi, a freelance producer who worked at LWT

in the early 1980s, gulped at the thought of a former colleague, Mr Robin Paxton, being worth £2m.

"They were in the right jobs at the right time, so lucky they," he said.

He added: "It's not that they were in dire danger of being headhunted, but the station needed to convince the IBA [Independent Broadcasting Authority] that the people behind its star programmes would not be headhunted by

rivals. Take Barry Cox [director of corporate affairs]. He's a very nice guy, was an ordinary programme maker. Now he's worth £1.5m."

The scope of the scheme has penetrated some surprising corners. Mr Paul Gibson is a classic example - an unknown manager on the technical side of LWT's operations, he is one of nine investors who have ended up with shareholdings worth £915,000 each. Mr Gibson is LWT's group

systems controller, in charge of all corporate information technology, airline bookings and production bookings.

At 50 - "exactly the same age as Mick Jagger" - Mr Gibson's past experience includes time as a senior systems analyst at the food retailers Lyons and Tesco. He would not comment on his participation in the share scheme nor why he was chosen for it.

According to Korn Ferry, the media headhunters, Mr Gib-

son's job at LWT would involve extensive responsibilities and probably command a salary of about £70,000 in the industry. "But he wouldn't be all that hard to replace," the headhunter said yesterday.

LWT says that the 54 managers are justly reaping the reward of their cash-backed loyalty in 1993.

At a time when it was not clear whether Carlton Commu-

nications, chaired by Mr Michael Green, would compete for

the London weekend franchise, they took a risk by putting their own money, sometimes borrowed, into LWT.

Mr Peter Coppock, head of press relations at LWT, is keen to put this gloss on the tale of the "telly millionaires".

He was offered 18,028 shares at 83p, and made "no small investment" of £15,000. But he did not know until the franchise was renewed that he had made money rather than lost it.

"For a long time the share price was 65p and it was brown-trouser time," he recalled. "It's easy enough now the share price is 470p to say it was a cushy investment but it didn't feel like that at the time."

Mr Coppock's investment is now worth £343,991 - 22 times its original value.

He says that a shareholding this size is the norm - and that only the 16 top managers who include such "juicy" household names as Mr Bragg and Mr Dyke, became millionaires overnight.

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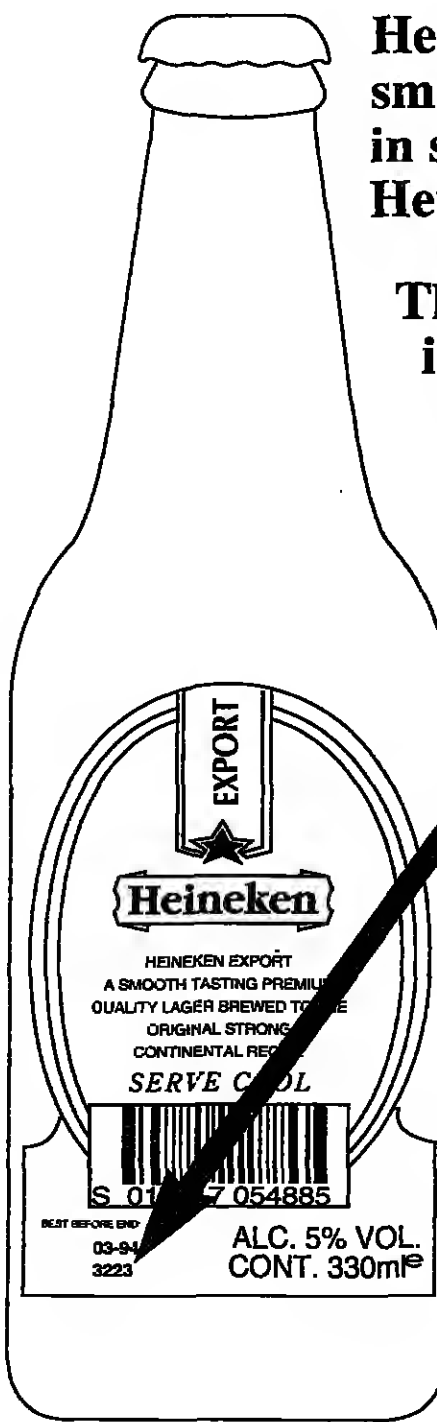
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## FINANCIAL TIMES

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Saturday August 28 1993

## A dearth of options

ONE CONSTANT and unrelenting theme of the post-war financial world has been the decline of the personal investor. Year in year out, almost without fail, the UK personal sector has appeared in the official statistics as a net disinvestor in company securities. Anonymous investment institutions have filled the gap, taking their stake in British equities up to two-thirds or more of the total value of the stock market. Not even the rhetoric of the Thatcher period, with its emphasis on popular capitalism and privatisation, was able to change the trend.

Then, last year, came a dramatic, though untrumpeted, volte face. The private individuals who had sold £19.8bn, £7.8bn and £2.6bn in 1989, 1990 and 1991 respectively, suddenly bought a net £3.6bn of equities. In the first quarter of this year they added a further £833m to their holdings. It looks suspiciously as though the collapse in the housing market has finally achieved what years of exhortation by Tory politicians and stock exchange chairmen so signally failed to bring about.

While richer individuals have been flocking back to the stock market, smaller retail investors have been pouring money into unit trusts. July alone saw a net £948m flood into the unit trust managers' coffers, taking the total for the first seven months of the year to over £5bn. That is more than the total cash flow of Britain's pension funds for the whole of last year - a remarkable reversal of another lengthy trend. This shift in the balance of power between retail investors and the big investment institutions is partly a reflection of the traditional hunt for income at a time when interest rates are plunging historically low levels. People have been withdrawing their savings from low-yielding deposit accounts at banks and building societies and putting them into unit trusts or shares.

### Modest improvement

That pattern is repeated all the way up the investment scale. Within an overheated equity market higher yielding shares have outperformed for much of this year as investors have sought protection in income. Elsewhere the institutions have re-acquired an appetite for commercial property investment that they lost in the disinflationary 1980s. The big question in all this is whether the quality of the income compensates for the risk of falling prices.

By historic standards, the current dividend yield on British equities of 3.7 per cent looks low. Moreover dividends shrank last year in real terms and look set for only modest improvement this year. This does not, then, look the

time to buy equities for the long term, but note that, after the 1987 devaluation, equities were exceptionally buoyant despite negative dividend growth. Today the market looks set to bubble away in comparable fashion until interest rates are perceived to have run their downward course. The mere fact that equities bounced back to record levels after the Bundesbank threw a wet towel on the proceedings on Thursday by failing to cut key interest rates suggests that this bull will take some stopping.

### Heavily oversold

In property the long-term position is very different from equities. Despite the sharp recovery since last year yields are still historically high, relative to gilts, in a market which has been heavily oversold by the institutions. The problem for investors is that the excess supply of property, much of it in the hands of banks, is not all income-producing. The attraction of a higher yield than in gilts depends on the existence of a good quality tenant and a long lease with upward-only rent reviews.

Even here, there is a question mark in that underlying rental income continues to fall while capital values are rising. Many tenants are committed, under the terms of standard institutional leases, to paying way over the open market rent. Buyers have to base their judgment on the likely rent and the potential value of the property in, say, 10, 15 or 20 year time. If their assumptions about residual values are over-optimistic, the comparison with gilts is a nonsense.

Nor are gilts immune from questions about the quality of income. For while gilt yields have been falling, budget deficits across the developed world have been rising, thereby raising questions about future inflationary pressures. As the London-based securities firm EZZV points out, the debt overhang cannot be stabilised until real debt yields fall below the likely trend growth of GDP. Taking British index-linked gilts as a yardstick, real government bond yields have almost certainly fallen across the Group of Seven industrialised countries. But even at around 3.3 per cent, they are still above any plausible growth assumption for the short to medium term, which means that debt burdens will continue to grow. But if governments do confront their fiscal problems, economic growth will, paradoxically, be slower in the next year or two.

Investors, it seems, are making precious little allowance for risk in equities, gilts and property alike. But this is because, in the hallowed phrase, they cannot find a better hole.

The problems at Volkswagen are as old and as durable as the dear old Beetle itself. Foremost among them has long been the carmaker's chronic inability to confront the simple truth: that its costs are too high.

Now, 58 years after the launch of the Beetle phenomenon, in the middle of the motor industry's worst post-war slump, Ferdinand Piëch and José Ignacio López de Arriortúa are bidding to effect a cure. But while their abilities are not in doubt, their rough-and-tough methods, and criminal allegations against López are threatening to destroy dreams that VW can be restored speedily to full health.

The malaise was apparent back in the 1930s, when Ferdinand Porsche was developing his pop-eyed rear-engined runabout and when Adolf Hitler was growing increasingly excited by "this" Volkswagen: his people's car.

"I have no doubt that the outstanding ability of the designer, and at a later date the economic acumen of the manufacturers, will make it possible to make available to the German people cars which are low-priced and cheap to run, similar to those the American people have enjoyed for a long time," Hitler proclaimed at the 1936 Berlin motor show.

As Dan Post, the celebrated Beetle historian, noted, Mr Schickelgruber failed to mention that in 1935 an American had to work only 300 hours to buy a car while a German would have to toil for 800.

The differentials have narrowed, the world has shrunk, and the Volkswagen concern has ballooned into an international giant since the Wolfsburg works opened in 1938. In May that year the first "KdF" (Kraft durch Freude - Strength through Joy) cars rolled out at a handsome 990 Reichsmarks apiece.

But the dangers inherent in over-optimism have persisted. They were ignored for years as VW cars first filled the garages of Germans benefiting from the post-war economic miracle and later moved off into international markets as puttering proof of Germany's reputation for engineering excellence.

Progress through technology, or *Vorsprung durch Technik*, to borrow a phrase beloved of Piëch, Porsche's grandson, and by a fateful twist, today's chairman at VW, served the German motor industry well in its youth and adolescence. But high costs threaten to be the death of it in its maturity, Piëch says.

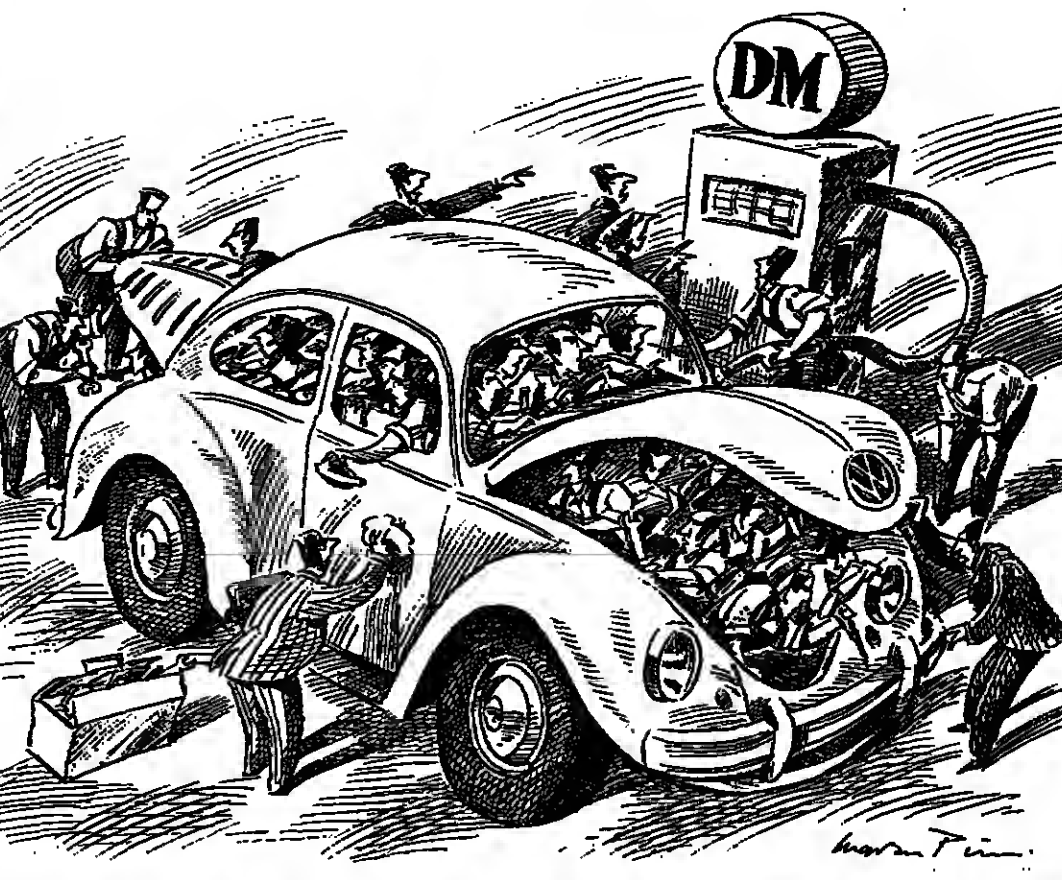
Piëch, former head of Audi, and patron of its *Vorsprung durch Technik* slogan, took charge of the group in January this year as it topped into its worst losses since. A technical man by training, he was chosen for the skills he displayed in re-engineering Audi into the most profitable part of VW. He, in turn, chose another engineer, the controversial López, formerly General Motors' cost-cutting wizard, to help him with his work.

Since March, when López arrived shrouded in suspicions of having stolen GM industrial secrets, the rehabilitation work has been progressing at speed. The eccentric Basque is said to work from five in the morning to midnight every day. In less than six months, Piëch claims, he discovered and applied cost-saving methods worth DM700m. But as allegations and evidence mount up, it appears increasingly unlikely that the dynamic duo will remain together for long.

The group could find a replacement

The costs crisis afflicting VW stems from the cossetting offered by Germany's social economy, says Christopher Parkes

## Overload in the people's car



ment relatively easy for López. There are plenty of managers who understand and can implement the "lean" production and group working methods he uses, but it would be more damaging if Piëch were forced to go. Since he arrived, he has hacked hard at VW's internal costs structure, its civil service-style bureaucracy, and its cosy relationships with its mostly German, high-cost components suppliers. He has also set about cutting its bloated workforce.

While his claims of having DM40m-worth of savings "in my pocket" do not bear close inspection, and even he has given up on his earlier claims of reaching break-even this year, there is ample evidence that the Austrian engineer is giving VW the shake-out of its life. As López and his team terrorise components suppliers, Piëch is carving into investment plans, paring every budget to the bone. He is even making a brave show of tackling over-employment, the single most important cause of the group's malaise.

Since his arrival in January, Piëch has announced the shedding of about 20,000 jobs in VW's six German works. But in keeping with post-war industrial tradition, there is not a single redundancy among them. Natural wastage and early retirement on generous terms are, as usual, the order of the day. There is no role for hire-and-fire methods

in Germany's social economy, where even the threat of industrial conflict is anathema.

But Volkswagen is a special case. As a "new" industry in post-war Germany, it was cosseted under government control. Based in a traditional Social Democrat (SDP) stronghold, Lower Saxony, it was an exemplar. It was a pillar of the social economy: a creator of jobs

Without drastic action, says López, the Japanese will colonise European industry and 'become our landlords'

and wealth in what used to be a faraway, hard-up corner of West Germany, tucked close against the old East German border. When Bonn sold off the last 16 per cent of its holding in 1988, commentators cheered: at last action would be taken to reduce VW's cost base, they said. At the time, VW's profit margin was exactly one third that of its main European competitors.

"I don't know of a single example where a company has lost the government as a shareholder where it hasn't led to fundamental change," one analyst wrote at the time.

But the commentators appeared to have forgotten the 20 per cent holding left under the control of the Lower Saxony government. The state authorities, today wearing the red and green colours of an SPD/Green party coalition, together with worker representatives on the company's board of supervisors, still control VW's fate.

As a result, Volkswagen has continued until now to be managed more in the style of a social security office than a commercial concern. It has fired workers only once in its entire history. Even today, its in-house pay agreement is the most generous in the German car industry. Two weeks ago, seeking to shave another 3,000 jobs from its domestic payroll, the management offered an extraordinary deal, allowing employees to retire at 55 on 80 per cent of their net income until the normal retirement age of 60.

In an industry where labour costs account for 70 per cent of the total cost of a typical vehicle, according to the VDA automotive industry association, the workforce is the single most important source of potential economies. VW calculates that its latest early retirement package should bring the number employed in its six domestic plants to about 100,000. Industry observers, given to understand that the desired target is 80,000, are puzzled.

Times may be desperate, but even hard men such as Piëch and López would have no hope of gaining the assent of their labour-oriented supervisory board to job losses on such a scale within the two years they have given themselves to turn the company around. Accordingly they have gone about their other cost-saving activities with some-times alarming vigour.

But the fact that they were put in charge, and that Piëch won agreement to his first phase of job cuts, reflects the new chairman's powers of persuasion and the Lower Saxony government's belated acceptance that fundamental change is needed if VW is to prosper in Europe's single market and in an increasingly liberalised global economy.

Now, several years behind innovative, privately-controlled companies such as BMW, and at least two years behind most other German industrial groups, where taskmaster bankers hold large stakes, sit on supervisory boards and hold the whip hand over management, the duo has set about a crash cure.

There is no time for niceties, they say. Without drastic action now, says López, the Japanese will colonise European industry and "become our landlords." For Piëch the issue is the "survival" of Germany's second-biggest industrial concern.

Both arguments are deliberately pitched to disorientate fear and prepare the ground - in the supervisory board and in the workforce - for their Blitzkrieg tactics. But they have signally failed to convince the watchers beyond the borders of Lower Saxony.

The Austrian Piëch and the Spaniard López appear to have overlooked that change on the scale they demand, especially in Germany's conservative business culture, requires management, not force. They have also to remember that the ground rules of a social economy demand consensus, not coercion, and not just with a company's own workforce and supervisors.

While López's purchasing department "warriors" are allegedly dashing around, tearing up component suppliers' contracts and demanding instant price cuts on pain of loss of contracts, more conventional managers are pursuing similar ends through dissimilar means. Proceeding according to the tiresome but tested principle that co-operation is preferable to confrontation in Germany, business competitors in the motor sector and other industries are negotiating their way to improved competitiveness, at a gentler pace. Most important, they are operating out of public earshot.

However great VW's difficulties and however inspired the new management may be, a director at one competitor says its methods are unacceptable. The fact that Volkswagen is so large, so well known and seen internationally as a flagship of German industry, makes "this bullying" all the more reprehensible, he adds.

VW, Germany's most persuasive argument for privatisation, is also its most suitable case for treatment. But as its supervisory board appears to have realised, with recent hints that López may have to go, the malaise afflicting it is an indigenous German ailment which demands German therapy for an effective and lasting cure.

\* Volkswagen Nine Lives Later, 1930-1985, by Dan Post, Motor-Era Books, Arcadia, California

## MAN IN THE NEWS: Martin Sorrell

### Survivor's techniques

Mr Martin Sorrell's continued tenure as chief executive of WPP Group, the marketing company, is seen by many in the industry as proof that there is life after death.

If one refinancing in 1991, due to burgeoning debt, could be put down to bad luck, a second the following year must look like carelessness. In most other industries the price for avoiding receivership would have been the chief executive's head.

Yet Mr Sorrell remained at the helm of WPP while it restructured its borrowings. And earlier this week he announced that half year pre-tax profits to the end of June had jumped from £1.8m to £24.1m.

While Mr Sorrell is the first to admit that WPP is not yet out of the woods - it still has borrowings of about £350m - he can finally see light at the end of the tunnel. "And thankfully," he adds, "there is no train coming the wrong way."

The 48-year-old entrepreneur has avoided the fate of others who allowed borrowings to get out of hand, partly because creative people are the main assets of an advertising agency.

But his financial acumen, more than his talent as a copywriter, may have impressed the syndicate of 26 banks which helped keep his empire in tact. Many in the US agencies Mr Sorrell controls loath him for the fierce financial controls he has imposed including salary cuts.

His survival also owed much to what one friend described as "the sheer brute force of his negotiating tactics, which wore the bankers down." Those who negotiated with Mr Sorrell over the past few years describe him variously as "determined", "desperate to succeed" and

"infuriatingly obstinate".

According to Mr Sorrell he was "no hired hand" that could just walk out when things got difficult. "I had an enormous amount of emotional involvement, it was my baby and I wanted it to succeed."

Mr Sorrell says the bankers were "sensible enough to understand that to dispose of businesses would not have helped cash flow in the long term."

As an only child, Mr Sorrell admits to being used to getting his own way. His father, who was chief executive of a radio electrical company, gave him a taste for business. He read economics at Cambridge and went to Harvard Business School.

Part of his studying was to examine the case of Mr Mark McCormack, the US lawyer who managed the affairs of sports stars and celebrities. Not content with studying him, Mr Sorrell ensured that he met him in person.

The two got on well, and after his first job working for Glendinning Associates of Connecticut, a small agency, Mr Sorrell was offered a job with Mr McCormack when he opened a London office in 1969. He moved into a London flat below that of Mr James Gulliver, then running Fine Fare, the supermarket group, and looking for a personal financial adviser. Mr Sorrell got the job and became one of the original shareholders when Mr Gulliver started James Gulliver Associates.

Mr Gulliver took a small stake in the advertising company which became Saatchi and Saatchi. Mr Sorrell found himself giving the Saatchi brothers corporate financial advice and by 1977 he became their



group financial director. The Saatchis and Mr Gulliver had started from scratch and by 1985 Mr Sorrell was ready to emulate them.

"I began to have my male moment at 40 and I decided it was time to do something on my own."

With about £200,000, half of which he borrowed, he bought an interest in a small engineering company called Wire and Plastic Products, which made wire baskets. The object was to gain control of a small but quoted company that could be used as a vehicle for acquiring other businesses.

In 1987, the famous New York quoted advertising agency of J Walter Thompson was suffering a lack of strategic direction, losing money and big clients such as Burger King. WPP bought it for \$525m (£284.7m). Two years later, in a contested bid, Mr Sorrell bought Ogilvy Mather for \$864m. "With hindsight we paid too much for Ogilvy Mather," admits Mr Sorrell.

By 1990, the advertising industry

was going into recession and WPP's revenues began to fall. A year later, the company was refinanced but its difficulties mounted and WPP failed to make scheduled dividend payments. That triggered a legal clause giving full voting power to owners of preference shares who found themselves with 78 per cent of the company's voting rights - forcing a second refinancing.

WPP's bankers do not disagree with Mr Sorrell's view that the deal proved satisfactory from their viewpoint. In the second refinancing the banks wrote off £275m of debt in exchange for £275m new shares, priced at an average 54p each. Yesterday the shares closed at 95p.

If most of the banks have been placated the same cannot be said of all institutional shareholders.

Some are angry that Mr Sorrell was given a five-year contract in 1989, which they regard as too long. Foster, the UK's largest pension fund, has written to Mr Gordon Stevens, WPP's chairman, to complain.

Mr Sorrell says his terms and conditions were fixed at the behest of some US institutions and points out that he waived £111,000 of his £510,000 salary this year.

At the same time, not all of WPP's investors are convinced that shareholder interests are best served in the long term by keeping the company together. WPP's recovery over the past year was based mainly on good performances from the group's US agencies. Revenues at J Walter Thompson and Ogilvy Mather rose by 6 per cent and 4 per cent respectively. Neither is represented on WPP's board, prompting the questions about whether the agencies should be run separately.

Mr Sorrell says he is sure that keeping WPP's subsidiaries under a holding company has the effect of increasing total revenues. If WPP is to remain as one group, Mr Sorrell will have to prove that he can keep profits rising and convince his backers that his financial prowess remains indispensable.

Roland Rudd

## KASPAROV-V-SHORT



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# New flights of fantasy

George Graham on Nasa's future after the loss of Mars Observer

The \$980m Mars Observer was supposed to bring back the first new pictures in nearly 20 years of the planet Mars. Instead, it is lost in space without a radio. At best, the spacecraft may have swerved automatically into an orbit around Mars, and there is an outside chance it may re-establish contact with earth. At worst, it may have exploded.

"I'm betting it blew up on Saturday," said Mr John Pike, a space specialist at the Federation of American Scientists. "If it was a big explosion, it's in little bits."

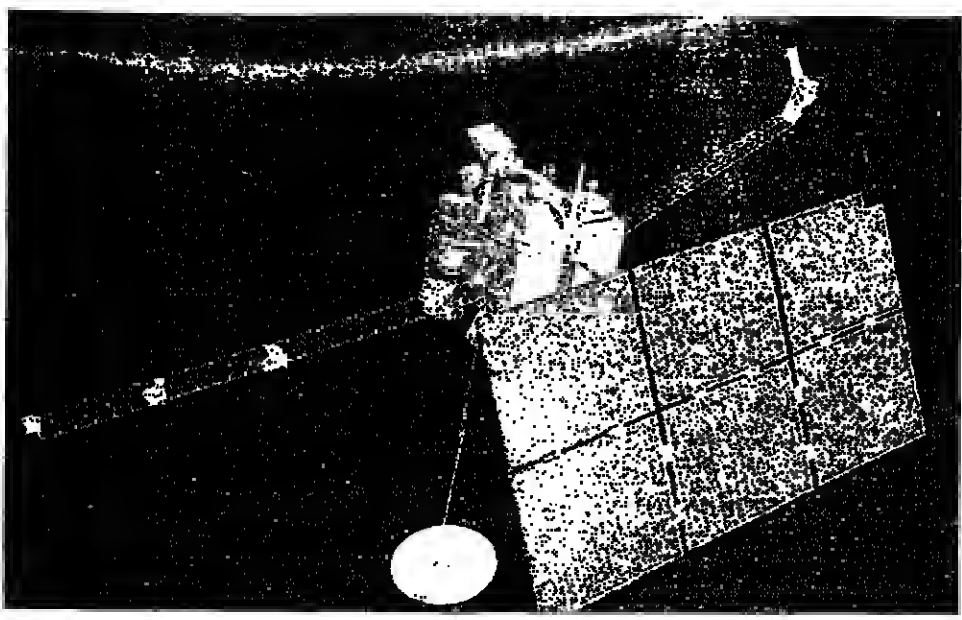
Nasa scientists suspect a faulty transistor and acknowledge they probably face a "non-recoverable situation". Back on earth, the Mars Observer's problems translate easily into an uncomfortable metaphor about the once-proud National Aeronautics and Space Administration.

Nasa has suffered a series of mishaps on its programmes. Flawed mirrors have hobbled the Hubble space telescope. Jammed antennas are hampering the Galileo probe to Jupiter. And there have been delays and cancellations for space shuttle launches - although these last-minute cancellations are preferable to the kind of disaster that destroyed the Challenger shuttle in 1986.

Nasa officials say that even the glorious era of the Apollo moon missions was not free of problems. "We had glitches and failures back then in the heydays. We had engine shutdowns on the pad - the very same kind of things that are happening today," says Mr Wes Huntress, Nasa's associate administrator for space science.

"We have established some very tough goals for ourselves in the space programme. If they were easy to meet, anybody could meet them," adds Mr William Piotrowski, acting director of its solar system exploration division.

But the space agency's reputation for being able to manage a budget disappeared in smoke years ago. The General Accounting Office, the audit



An artist's rendition of Mars Observer which lost contact with Nasa engineers last Saturday

at Nasa worried about getting to the moon.

Where once President John F. Kennedy sparked Nasa to excellence by challenging it to put a man on the moon, such political leadership as Nasa received in the 1970s and 1980s degenerated into prodding from members of Congress anxious to ensure that the agency diverted work to their constituencies.

The agency became a master of the art of extracting money from congressional appropriations committees, by distributing largesse to as many supporters as possible. When lobbying last year to save the space station Freedom from the budget axe, Nasa circulated maps showing that the station generated jobs in 37 of 50 states and 151 of 435 congressional districts.

"Nasa sees its primary mission as the securing of appropriations from Congress. Con-

gress in turn understands the importance of big aerospace programmes in maintaining jobs in the aerospace industry," says Mr Ferris.

But Mr Daniel Goldin, who became Nasa's administrator 18 months ago, has won some acclaim outside the agency for beginning to change all this. When appointed, Mr Goldin was viewed with some suspicion by Nasa and Congress, who resented the ousting of his predecessor, the former astronaut Admiral Richard Truly. Some saw Mr Goldin as a cat's paw for Vice-president Dan Quayle, who took the lead on space issues for the Bush administration. Mr Al Gore, who was chairman of the Senate Science, Technology and Space Subcommittee before he replaced Mr Quayle as

Vice-president, was one of the most vocal in questioning Mr Goldin's independence.

After some hesitation, President Bill Clinton kept Mr Goldin with 35 years of private sector experience at the TRW engineering group's space division, to spearhead the assault on Nasa's bureaucracy.

Mr Goldin won more favour with the president for the alacrity with which he took up Mr Clinton's challenge to redesign the space station, a permanently manned orbiter Nasa plans to launch by 2001, so that it would cost less and do more.

The new scaled-down station will include elements from the original Freedom design, but should cost \$8bn to \$9bn less to build than Freedom by its projected launch date and perhaps \$18bn less to operate over a 10-year life span.

Mr Goldin has also drafted a budget that cuts Nasa's five-year spending plan by \$15bn to

\$60.4bn. Although he has fought hard to keep the space station alive, he is Nasa's fiercest critic, lambasting its "appalling management structures".

"I personally am tired of Apollo stories. It's time we started writing history and not reading it," he told a meeting of space scientists recently.

Mr Goldin himself may not write much history. His task is more to shape Nasa into the kind of entrepreneurial organisation that will once again do so. Outsiders in the scientific community believe Mr Goldin has already done much to shake out Nasa's bureaucratic stuffiness, though much remains to be done.

Writing history, however, will require more than managerial excellence. Nasa needs a new sense of mission to replace the urge to compete with the Soviet Union that spurred earlier space probes.

Mr Clinton and Mr Gore offer Nasa an opportunity, by seeking to swing the pendulum back to civilian pursuits and away from the Star Wars and military projects that dominated space programmes under Presidents Reagan and Bush.

But they also want Nasa to spend more time and money on aeronautics research with practical dividends for civil aviation. Manned missions to explore the planets, they have warned, are a long way in the future.

Practical dividends have recently come to dominate other considerations, to the extent that supporters of the space station conduct their annual battle to preserve its budget by inventing ever more far-fetched claims that everything from AIDS to arthritis could be cured if only scientists could experiment in zero gravity.

But a vital part of Nasa has always been the dream of pushing back the boundaries of space. That dream has also been important to public support for the agency and its budget.

Nasa may not be lost in space without a radio. Without that dream, however, it might turn into little more than an earthbound technology agency.

Caviar may lose its cachet if producers do not act to control supplies, says Neil Buckley

## Fishy deals all in a roe

In smoke-filled rooms in the Iranian port of Bandar Anzali this week, the talk between officials from Iran and four former Soviet republics was not about oil or arms, but of fish roe. Carving up the caviar market has become a political issue.

The sturgeon may seem an unlikely subject for Opec-style negotiations, but when a large sturgeon can contain caviar equivalent in value to two Rolls-Royces, caviar-producing countries have decided they need to determine how much each is allowed to fish.

The shiny black eggs tinged with gold, once the preserve of shahs and tsars, are still surrounded by mystique, prized not only for their delicate flavour but for their supposedly aphrodisiac qualities.

Western importers fear, however, that caviar may be about to lose its cachet. Former Soviet republics, keen to earn hard currency, are threatening to increase their exports, thus flooding the market.

An increase in smuggling has led to an influx of often substandard caviar into Europe.

Officials from the five countries bordering the Caspian Sea - home to 90 per cent of the world's sturgeon - met this week to discuss the problem, although a report from Iran, the Iranian News Agency, that they had agreed to form a caviar "cartel", seems to be premature.

Mr Rasoni Pousti, European representative of Shilat, the Iranian national fisheries company, in Frankfurt, said the results of the meeting were yet to be announced. Its aim was not to set up a cartel, but to co-ordinate marketing and deal with such problems as smuggling, over-fishing and pollution of the Caspian.

But European dealers say some kind of agreement is urgently needed.

"The market is pretty much in disarray," says Mr John Stas, managing director of WG White, the only UK agent for Russian caviar. "A cartel agreement might at least mean we could source caviar from reliable people at sensible prices."

Two years ago, the Soviet Union and Iran, the only two countries bordering the Caspian, had an effective monopoly in the caviar market. The Soviet Union produced about 700 tonnes a year, much of it ending up on the tables of the Communist party elite or on sandwiches sold for a couple of roubles at venues such as the Bolshoi Theatre. Less than 100 tonnes were exported, all through Sovrybflot, the Soviet state fisheries agency. Iran produced 200 tonnes a year, exporting about 150 tonnes through the fisheries company, Shilat.

The Soviet Union and Iran held informal negotiations each year to adjust the price, usually based on the dollar exchange rate.

The break-up of the Soviet Union, however, means that five countries now border the Caspian, with the newly independent republics of Azerbaijan, Kazakhstan and Turkmenistan joining Iran and Russia.

The end of centralised control means fishing has become a free-for-all. The new republics are no longer content to sell caviar to Moscow for roubles. They want to market it themselves. The problem, however, is that if they all fulfilled their desired export amounts, the total would be about 300 tonnes - higher than the entire western market.

Because the new republics have little experience of controlling fishing and regulating trade, large quantities of caviar are finding their way onto the Russian black market. From there it travels to Europe in the suitcases of eastern European tourists anxious to earn hard cash. French customs officers who stopped one coachload of Russian tourists last year found 200kg of caviar - market value roughly \$80,000.

"The problem is wider than just people coming over with a little suitcase," says Mr Pousti. "People are trying to deal in caviar with no experience."

Spotting an opportunity, western entrepreneurs have also brought supplies into Europe, sometimes obtained from producers and other licensed exporters, sometimes from Russian gangsters. Many have found it difficult to resell the caviar.

Mr Peter Rebeiz, president of Caviar House in Geneva, which imports about a third of the caviar sold in the west,

says retailers and restaurants will only buy from trusted suppliers.

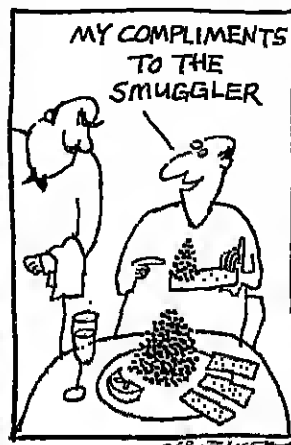
"There are about 65 tonnes of unsold caviar lying around Amsterdam and Hamburg," says Mr Rebeiz. "Much of it is arriving in non-refrigerated trucks. By the time it gets here it practically walks by itself."

Caviar House has stopped importing caviar from the former Soviet republics, demanding that they agree export quotas, as well as take steps to regulate fishing and protect the environment in the Caspian, before it will buy more.

Ironically, some of those still dealing with the new republics have difficulty obtaining caviar. WG White says that since the demise of Sovrybflot, the Russian authorities have issued export licences not to caviar producers, but to intermediary companies, which are often unable to guarantee supplies of the required quality. They are also quoting prices 30 to 50 per cent higher than last year.

Mr Rebeiz believes, however, that the end of the Soviet monopoly may provide opportunities for the new republics. The three main types of caviar - Beluga, Sturgeon and Ossetra - have subtle variations in taste and texture, according to the depth and temperature of the water the sturgeon inhabit. The emergence of the republics may lead to the development of a range of caviar brands from different parts of the Caspian, he says.

It may take the republics several years to develop the marketing expertise, but there is money to be made in the west from the Caspian Sea's other form of black gold.



Why don't you do a nice arts degree, asked the despairing mother of her daughter in a sketch by comedienne Dawn French and Jennifer Saunders. Choosing a physics degree can only lead to life as a boring, socially inadequate spinster, the mother wails.

The sketch was meant as a parody of British attitudes to scientists, but universities trying to fill physics, engineering, and chemistry courses will have found it too true to be funny. With thousands of spaces unfilled, universities have this week been offering science courses to candidates with just two Es at A-level, the lowest pass grade. Arts candidates who narrowly missed required grades are being offered science instead.

The shortfall in would-be scientists is the corollary of a fall in pupils taking science at A-level. The number taking physics A-level this year was 9.6 per cent down on last year. For chemistry the figure was 4.5 per cent.

A decline in interest is evident also among 16-year-olds taking GCSE examinations. Entries for all science subjects have fallen by 4.15 per cent since 1989, according to figures this week. "There is an anti-science mood in Britain," said Sir David Weatherall, president of the British Association for the Advancement of Science.

The government's response so far has not been to encourage science directly, but to discourage universities from taking on arts students by cutting its contribution to tuition fees for non-scientific subjects for 1993-94.

Mr John Patten, education secretary, this week acknowledged that the continuing unpopularity of science is a cause for concern. "I said the blame did not lie just at his door. I think we are all in this together - the government, teachers and employers," he said.

Mr Patten may be correct to look to employers for an explanation. Although the Confederation of British Industry and Institute of Directors preach the need to build Britain's science expertise, figures for graduate

John Authers on science's bad image in UK schools

## Discipline in need of a better chemistry

salaries and unemployment rates suggest demand for scientists is little or no higher than for other disciplines. According to CSU, a consultancy which charts graduate salaries, students with degrees in pure science could have expected to start work on £12,285 a year in 1992, only slightly higher than the £12,039 for jobs where degree subject was unimportant.

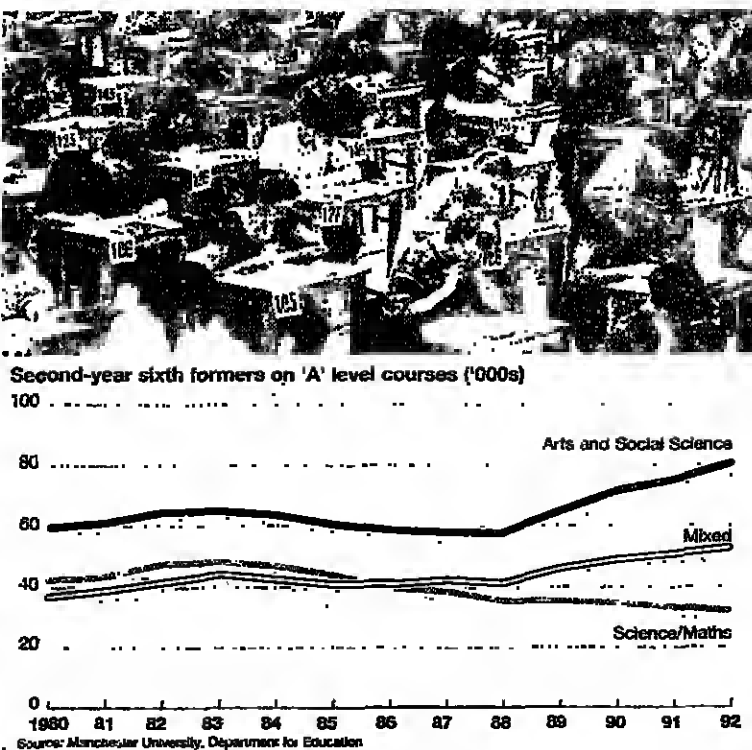
Unemployment rates show scientists faring worse than contemporaries who studied arts: of those who graduated with chemistry and physics degrees in 1991, 11.3 per cent were unemployed a year later. For humanities only 8.2 per cent were jobless. Engineering graduates buck the trend among scientists - particularly those with specific skills needed by industry. The average starting salary for engineers last year was £12,374, higher than the norm for all graduates, and their unemployment rate after 12 months was below average at 8.5 per cent.

Although the overall picture suggests that employers are not unduly worried about the lack of science graduates, Ms Margaret Murray, head of the CBI's education unit, said encouraging science is still essential to Britain's industrial competitiveness. The CBI and the IoD argue scientists have skills that industry needs, such as problem-solving experience and confidence with numbers.

Ms Murray seized on the shortages of engineers as particularly worrisome. The US trains nearly twice as many engineers per head than the UK, and Japan nearly three times as many, she said.

Her concern, however, is not suffi-

'A' level sciences: shunned in school



cient to overcome a bias against science among children - probably caused as much by a popular perception that the subject is dull as by the status of scientists in the job market. Dr Ann Robinson, the IoD's head of policy, diagnosed a cultural problem. Education has been "too child-centred and too student-led". When pupils find a course either difficult or boring, schools and universities have been too willing to withdraw the course. Reinforcing her point is research by the Association for Science Education, showing the number of students taking science A-levels falls when

schools introduce arts courses which children believe are more interesting - such as media studies.

Professor Alan Smithers, of Manchester University education department, said the quality of teaching also discourages possible scientists. Below 16, science is usually taught as a set of facts, with little or no element of discovery. Only at A-level do students discover that hard and fast rules learnt by rote are sometimes not even correct.

The quality of lessons is not helped by the poorer degrees held by science teachers. University Council for the Education of Teachers' figures show that in 1991 almost 40 per cent of physics teachers had a third class degree or lower, compared with 5 per cent for history teachers. Professor Smithers believed there is a vicious spiral: "Too few science graduates, too few teachers, poor teaching, too few students."

At the same time, constraints of the A-level system itself can act also as a deterrent for scientists. Most university science courses still require three A-levels in related subjects, forcing pupils to abandon arts courses at 16. Such weaknesses in school science, have prompted calls for the abolition of A-levels, untouched since the Conservatives came to power in 1979 and which follow on uneasily from a new national curriculum which requires studying a breadth of subjects to GCSE level.

The government "refuses to recognise the barrier to improving the science base is its insistence on retaining A-levels in their current form," said Mr Roger Young, of the Institute of Management. The IM wants a six subject curriculum for 16-18-year-olds, with all pupils following at least one art subject and one science.

Mr Patten's analysis this week was that selling science "is a marketing problem, trying to persuade children that science is interesting and rewarding". But attracting more students into science may require more sweeping changes to Britain's further and higher education systems.

## Japanese work practices can be successful in UK

From Mr Christopher J Gill

Sir, In response to "Doubts over effectiveness of Japanese work practices" (July 19), here is an alternative view.

Old's manufacturing site at Cumbernauld, Scotland, has adopted many Japanese working practices and combined them successfully with the best from western culture. The facility is committed to *kaizen*, or continuous improvement, and the close involvement of its staff. For example, every morning a meeting is held in each section where employees are able to discuss the previous day's activities and provide feedback to their supervisors. It is at these meetings, or *chokai* sessions, that everyone has an opportunity to participate in the company's improvement.

The strong communications links between staff and management on a variety of issues is vital to the culture that has been developed at Cumbernauld. It is this culture that resulted in Old's being presented with the Investors in People Award. At the ceremony, an assessor from Investors in People

in Scotland said: "I have not previously come across a workforce that has been so motivated, committed and enthusiastic."

The 100 per cent commitment of staff and management has also brought tangible rewards in the form of new contracts. The key ingredient to such success is to select the elements that create a right working environment and to mould and build on them - not to implement a rigid code that stifles business needs but does not take account of human requirements.

If the companies involved in your article had truly embraced the principles of *kaizen* and *chokai*, the outcome may have been different. I encourage them to try again and invite them to visit our factory to see Old's management style in action.

Christopher J Gill, Director, Old Europe, Central House, Balfour Road, Hounslow, Middlesex TW3 1HY

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## UK depends heavily on scientific endeavour

From Mr John G.L. Cox

Sir, find it astounding that throughout the recent debate on science education I have heard no forthright declaration that a dwindling interest in the sciences is against the interests of society. Equally astonishing is the lack of recognition of the inconsistency this represents in a society so heavily dependent on the fruits of scientific endeavour.

From Mr Martin E. Simons

Sir, Further to Mr Jonathan Price's letter ("Why is mail order so slow?", August 21/22), one explanation could be that some companies enjoy using Mr Price's money for 28 days or longer. Also, they may wait orders before ordering stock from suppliers, thus passing on much of their business risk to the manufacturers, who then

have to wait for their money. Mail order houses must weigh the danger of being over-dependent on suppliers far away. Shipping in urgent stock by air is risky and costly. Martin E. Simons, 24 Granard Avenue, London SW15 6HJ

From Mr P Cranford Smith

Sir, While the mail order

industry is absorbing Mr Price's richly deserved criticism, perhaps it will explain why some goods are available only on the UK mainland.

The postage is a notional sum, including packing, and must be similar, and we in the Channel Islands are not necessarily asking for relief from VAT. We pay extra anyway for most things, as half the traders

must be heightened to inspire young people to rise to its exciting challenges. Health, hunger, protecting the environment and employment are just some of the issues to which science holds the key.

The chemicals industry is a major wealth creator that depends on a supply of top-quality scientists. But other sectors, too, are major employers of science graduates.

Above all, a wider awareness of science will create better informed consumers which, in turn, will spur UK science-based industry to even greater achievements.

John CL Cox, director-general, Chemical Industries Association, Kings Buildings, Smith Square, London SW1P 3JJ

## Russian women have right to fair debate on abortion

From Ms Louis Baqueriza

Sir, Your article on the right of abortion in Russia was disappointing ("Russia's woman face a new reign of fear", August 21/22 1993).

To assume, as Lore Cidly does, that abortion is a "fundamental right" is to miss the point of the debate: to determine whether such right does exist or not.

Unsubstantiated statements more at home with a political pamphlet than the FT ("for women, democracy has turned out to be a painful disappointment", "Russian women say they will put up a vociferous legislative fight") are not useful to the debate.

And to suggest that democracy may "spell a setback to women's rights" reminds me of woman's rights.

Abortion is an extremely serious issue that deserves to be discussed both deeply and objectively and not in a sectarian way. Louis Baqueriza, Staronordinskaya +B App 11, Kiev 252015, Ukraine

## Defined capability to confuse

From Mr John MacKenzie

Sir, Rupert Morris's article on good business writing ("Clearly, concisely and with feeling", August 11) reminded me of an example of verbosity I experienced some 20 years ago. Answering a question on whether his branch could maintain a central registry of relationships (customers) for an American Banking Group, the manager started to say "we

can". He managed to stop four-fifths of the way through this clear answer and said instead "it is within the limitations of our defined capability". Fortunately, I had got the gist of his reply from his first utterance. John MacKenzie, Venture Factors, Sussex House, Perrymount Road, Haywards Heath, West Sussex RH16 1DN









**TODAY:** Azerbaijan due to hold national referendum of confidence in fugitive president Mr Abulfaz Elchibey.

**TOMORROW:** Taiwan and China are expected to start talks in Beijing on a wide range of issues including the repatriation of illegal Chinese immigrants. 1993 British Association. Science Festival in Keele (until Friday).

**MONDAY:** US new home sales (July); balance of payments (second quarter 1993). Eleventh round of the Middle East peace talks in Washington. International peace conference on Bosnia resumes in Geneva. Industrial and technological show opens in Johannesburg (until September 3).

**TUESDAY:** Monthly digest of statistics (August); economic trends (August). US consumer confidence (August). TNC steering body of the Gatt Uruguay Round trade negotiations meets in Geneva to launch a work programme for September. Russian troops due to complete withdrawal from Lith-

**WEDNESDAY:** Overseas travel and tourism (June). Advance energy statistics (July). US gross domestic product (second quarter-preliminary); NAPM (August); construction spending (July). Launch of Sky multi-channel in London.

**THURSDAY:** Details of employment, unemployment, earnings, prices and other indicators. Cyclical indicators for the UK economy (July-second estimates). UK official reserves (August). US jobless claims. Interim results from Swiss Bank Corporation, Bowater, Cookson, Burmah Castrol,

**FRIDAY:** Family apending 1992, Monetary statistics including bank and building society balance sheets; bank and building society sterling lending and M4 quarterly sectoral analysis; MO figures (August), Bill turnover statistics (August), Sterling, commercial

July). Sterling commercial paper (July). Money market statistics (July). London sterling certificates of deposit (July). Women's ready-to-wear fashion shows in Paris (until September 6). Interim figures from Pearson.

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## REST INDICES

## WEEK IN THE MARKETS

**AFRICAN COFFEE** producers could chalk up a notable vic-

**AFRICAN COFFEE** producers could chalk up a tactical victory in their battle against depressed prices without firing a shot if the world market sustains its present bull run.

trader commented to the Reuters news agency yesterday.

Meanwhile the London Commodity Exchange's robusta futures market was adding to its already impressive recent

Thursday - but buyers raised the price in the afternoon in the secondary as they continued to buy without

continuing conditions in the Ivory Coast and Ghana (which produce about 40 per cent of

lifted the metal's price to a four-year peak of \$166 an ounce in July 1980 against the market's ended at \$120.00 down 18.75 cents on the week.

Mr Jeremy Coombe, author

The continent's producers of robusta coffee agreed earlier this month to join in a scheme drawn up by Latin American producers of the milder arabica beans to withhold 20 per cent of their production from the market until prices recovered to the 1980 level. The November position yesterday reached a fresh 24-year peak of \$1,335 a tonne before closing at \$1,281, up \$19 on the day and \$79 on the week. The price was \$463 above the low reached just four and a half months ago.

to a more acceptable level. But a market uptick in anticipation of the scheme, which is to be implemented on September 1, has already brought prices to the level at which retention would be scaled back to 10 per cent, and any substantial further gains could result in the scheme being

With the retention scheme already discounted in market prices this week's advance was negligible, but it is still a strong concern about the availability of good quality robusta beans for delivery against the large open position at the end of the month.

As speculators who had sold the market sit in the hope of

last week, the gold market put up little resistance this week to speculative pressure aimed at breaking the other end and

"the yen price has been pretty low".

At the London Metal Exchange the copper market continued to defy bearish fundamental factors, as supplies of technical toughness on supplies of the metal for sale for early delivery.

The metals futures market has been a little more volatile, with a very premium (a reflection of

**LINE WAREHOUSE STOCKS**  
Thursday's closing

Aluminum	+16,300	to 2,617,700
Copper	+1,000	to 2,000,000
Gold	+50	to 2,875,000
Lead	+50	to 2,675,000
Nickel	+1,000	to 2,000,000
Platinum	+1,000	to 2,000,000
Silver	+1,000	to 2,000,000
Zinc	+1,000	to 2,000,000

Under the terms of the scheme the full 20 per cent would be retained while the 15-day average of the International Coffee Organisation's robusta indicator price was suspended before it comes into force.

The cocoa market needed no squaring their positions at lower prices ran for cover the premium for the prompt September position over December futures climbed to \$57 at yesterday's close, up from \$38 at the end of last week.

The cocoa market needed no range. The \$370-a-roy-ounce support point gave way on Thursday under the weight of concerted selling by New York speculators. That triggered

Dec	118,500
Mar	75,500
Apr	76,000
Jul	76,500

the squeeze, which ended last week at \$33 a tonne, widened to \$42 at one stage before closing in to \$38 at yesterday's close. The market appeared to ignore a 9,600-tonne rise in LME warehouse stocks as the three months price rose \$27 on

below 60 cents a lb; between 60 cents and 65 cents 10 per cent would be retained; and above that level retention of robusta was suspended.

Thursday's 15-day robusta average was 58.38 cents a lb.

Technical factors to keep its uprend going. With both chart patterns and fundamental factors pointing northwards the December futures position at the LCE had little difficulty in brushing aside the psychological

selling orders from the computer-controlled US investment funds and the price dipped to \$265 an ounce at one stage. It rallied to \$389 at yesterday's close, still \$4.25 down on the week.

The ups and downs of the

the week to \$1,831.50 a tonne.

The exchange's biggest loss was again the nickel market, which ended at a fresh six-year low of \$4,545 in the three months position. But tin was not far behind, a \$176 fall on

The ups and downs of the gold price were magnified in the platinum market, with the price ranging between \$468 and \$481.50 an ounce before fixing yesterday afternoon at \$469.50, down \$9.50 on the week. But for palladium, platinum's sister

are now they will not be retaining much [robusta] coffee," one prompted moderate bouts of selling on Wednesday and metal, it was one-way traffic as the US investment funds that

	AVERAGE GROSS	Ed	Ton
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## A political cartoon by J. J. O'Rourke titled "EUROPEAN EXPORTS". The illustration shows a large steamship named "EUROPE" docked at a pier. A crane is lifting a massive crate labeled "EUROPEAN EXPORTS" from the ship towards a tall, industrial building on the right. The scene is filled with smoke and industrial structures, symbolizing the export of European goods to the United States. The cartoon is signed "J. J. O'Rourke" in the bottom right corner.

that it is an important trade issue. Blindness

The second issue will appear with the Financial Times throughout the UK and Europe on the 13th October 1993. Written by Financial Times journalists based in leading business centres across Europe, the second issue of FT Exporter will again show, through case histories, how orders are being won and what practical problems are being overcome.

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# The Financial Times



## INTERNATIONAL COMPANIES AND FINANCE

## SCA to raise SKr1.4bn after surge in profits

By Christopher Brown-Humes in Stockholm

SCA, Sweden's second largest forestry group, yesterday became the latest Swedish company to announce a large rights issue as it unveiled a dramatic jump in first-half profits to SKr350m (\$68.1m) from SKr194m.

The group is seeking to raise SKr1.4bn to fund SKr1.2bn in new investments. Its highest investment will be in a new pulp plant at Aylesford in south-east England where its share of a SKr30m expansion project is expected to cost SKr15m.

SCA also plans to convert a newsprint machine in Sweden to higher quality coated paper production at a cost of SKr2.5bn and to spend

SKr350m on adding recycling capacity to a plant in Austria. The group said cost-cutting the weaker Swedish krona and volume growth lay behind its improved first-half result which was achieved on a 7 per cent increase in net sales to SKr1.675bn. It noted that all its paper mills were profitable, but its Swedish pulp mill remained in the red.

The highest turnaround was achieved by SCA Graphic Paper, which swung to an operating profit of SKr56m from a SKr159m loss, while its Mölnlycke hygiene division strengthened operating profits to SKr530m from SKr366m.

SCA was cautious about prospects, noting that economic trends in the US and Europe had developed less favourably than it had hoped.

It now expects a full-year profit of between SKr1.1bn and SKr1.3bn, a refinement of its earlier prediction of a SKr1.2bn to SKr1.5bn profit.

SCA is the fourth big Swedish group to announce a rights issue in the last two weeks, following forestry sector rival MoDo and two of the country's leading banks. The spate of new issues is beginning to soak up market liquidity together with the company's cautious tone about prospects contributed to a slight easing of its share price, which fell SKr2 to SKr128.

SCA said it hopes shortly to finalise a joint venture with Mondi Europe, largely owned by South African interests, to expand newsprint production capacity at Aylesford.

## IBM's PC unit makes strong headway

By Louise Kehoe in San Francisco

THE IBM Personal Computer company, formed a year ago as an independent unit within IBM, has achieved significant gains in worldwide market share, according to independent market research, ending several years of decline.

IBM's success appears to have come largely at the expense of smaller PC manufacturers. However, the problems faced by Apple Computer and Dell Computer, which have seen their profits slump, also reflect the increasing competitiveness of IBM PC, according to industry analysts.

IBM is expected to increase its share of the \$68bn worldwide PC market by almost 2 per cent this year to 12.5 per cent, measured by unit sales, according to IDC. That would translate into increased sales of roughly \$1.3bn, at retail value, the market researchers said.

IBM PC, which had sales of \$9.8bn in 1992, has "regained momentum with competitive products priced for more aggressively than in the past", said Mr Bruce Stephen, IDC director of PC hardware research.

"IBM has pulled off a turnaround in its PC business that is dramatic given how fast it happened and considering the size of the business."

## ATT in talks with cable TV groups

By Martin Dickson in New York

AMERICAN Telephone & Telegraph, the US communications and computer giant, is holding preliminary talks with leading US cable television and local telephone companies aimed at AT&T providing the backbone for a national, interactive multi-media communications network.

The talks are the latest sign of the rapid convergence of the telecommunications, computer and entertainment industries as the US prepares for a time when homes will be able to receive video phone calls, movies on demand, and extensive home shopping. Cable TV companies and local telephone operators are locked in a battle to develop this market.

An AT&T spokesman yesterday cautioned that the discussions were at a very preliminary stage and "it would be wrong to characterise them as negotiations".

## Mattel challenges for top toy spot

Karen Zagor on benefits of the US group's merger with Fisher-Price

THE merger with Fisher-Price will transform Mattel, the number two US toy-maker, into a worthy rival to industry leader Hasbro, swelling Mattel's market share from 11 per cent to 15 per cent, just short of Hasbro's 16 per cent share.

The next biggest company is Tyco, accounting for 5 per cent of the market, according to Mr Gary Jacobson, analyst at Kidder Peabody. "I think we will continue to see smaller acquisitions," says Mr Jacobson, "but there is nothing left of this magnitude." Tyco, which posted losses for the first half of this year, is considered too troubled to be attractive to Mattel or Hasbro.

Mattel, once an unstable performer in an industry noted for its volatility, has posted steady gains in sales and earnings since 1990. The company owes much of its strength to the success of core brands, notably the Barbie doll, Mattel's 34-year old fashion doll which last year accounted for around 50 per cent of sales.

The company, which last posted a loss of \$13.2m in 1987, has found stability by discarding non-toy assets, cutting overheads and personnel and focusing on core products at the expense of more faddish toys. Last year, it earned \$143.5m, up from \$117.2m in 1991 and \$95.5m in 1990. But some analysts say Mattel is too reliant on the Barbie doll.

The Fisher-Price deal will ease some of these concerns, reducing Barbie's share of sales to just under 39 per cent for the combined company with Fisher-Price contributing an additional 30 per cent of

sales. Mattel's other mainstay lines - Disney-based pre-school toys and the Hot Wheels car line - will account for 10 per cent and 5 per cent of company sales respectively.

Fisher-Price, which is the dominant player in the infant and pre-school end of the business, will help bolster Mattel's toy lines in this area. This is particularly important because Mattel's Disney infant/pre-school line has been one of its weaker areas.

Mattel hopes to broaden Fisher-Price's overseas sales with the help of its own distribution channels - about half of Mattel's sales are outside the US, compared with 25 per cent for Fisher-Price.

"We also see opportunities with regards to manufacturing facilities," says Mattel. "We have looked at two Fisher-Price plants in the US and think we can put some Mattel products, currently produced by vendors, into these plants." Fisher-Price, with a product range including Chatter Telephone, Play Desk and a wide range of playsets, has been seen as a likely takeover candidate since 1991, when it was spun off from Quaker Oats.

It earned \$41.3m last year, up from \$14.6m in 1991, but some toy analysts have long felt that Fisher-Price needed big player muscle to remain wholly competitive. Mattel, which had approached Fisher-Price at the time of the spin-off, was the obvious suitor.

"The deal makes sense for both parties," says Mr Harold Vogel, of Merrill Lynch. "Mattel had a need for it and Fish-



Mattel's Barbie doll: still going strong after 34 years

er-Price seemed to have difficulty competing in a long-term sense against the big toy manufacturers. This gives Mattel a little bit more balance. Whether it actually accelerates earnings growth is another story."

Balance is less of a concern for Hasbro, the world's biggest toy company. Hasbro's greatest strength is the diversity of its products: it made 1992 profits of \$179.2m compared with underlying earnings of \$122.7m

the previous year, excluding restructuring charges related to an acquisition. Products range from a strong preschool Play-skool line, G.I. Joe action doll for boys and board games, including Monopoly and Trivial Pursuit.

A bigger Mattel will put pressure on Hasbro to retain its number one spot in the toy industry, but there is still ample room for both companies to grow. The combined domestic market share for Mattel and Hasbro is about 30 per cent, "leaving a tremendous room for growth", says Mr Jacobson.

Hasbro may even benefit from a more equal rival in Mattel. Stronger Mattel toys will draw more customers into toy stores and get more products on to shelves. And increased profits stability will allow Mattel to take greater risks with its product line.

Mattel and Hasbro continue to grow, they may be more threatening to the smaller companies than to each other. "It's going to be more difficult for small players to survive," warns Mr Jacobson. "But there will be niche categories because, as Mattel and Hasbro get bigger, they will not pay attention to the smaller niches."

Moody's Investors Service has placed Mattel's debt ratings under review for possible upgrade, citing acceleration in Mattel's progress "in diversifying its product array from Barbie toys". Moody's expects the merger to enhance earnings predictability without increasing debt.

## ABN pays more, plans rights

By Ronald van de Krol in Amsterdam

ABN Amro, the Netherlands' largest bank, yesterday reported strong first-half profits and announced plans for a rights issue of convertible preference shares to raise almost FL1.3bn (\$665m).

The bank said issue would go ahead next month with the preference shares priced close to the level of its ordinary shares which closed yesterday at FL167.20. Holders of ordinary shares will be given pre-emptive rights to the new shares.

The bank's net profits rose to FL1.01bn for the first half of 1993, compared with FL1.672m a year ago, and the interim dividend is going up to FL1.45 a

share from FL1.40 last year. The bank said it expected to see increases in both gross and net profit for the full year.

ABN Amro's first-half results partly reflected buoyant conditions on European stock markets and hectic conditions on foreign exchange markets.

Income from foreign exchange trading jumped by 133 per cent to FL124m, while securities trading income rose by 36 per cent to FL314m.

Total income stood at FL1.678bn, a 9.8 per cent rise on the first half of 1992. Expenditure rose by 7.6 per cent to FL1.45bn.

ABN Amro, created out of a merger in 1990, said it had suffered a slight setback in planned savings on staff costs

but added that the process of integrating the two banks was proceeding according to schedule. The bank expects to realise savings of FL500m a year from 1995 onwards because of the link-up.

The bank's European results showed the strongest rise, with gross results nearly doubling to FL300m from FL158m a year earlier. The Netherlands, still the bank's single most important market, produced a 10.7 per cent increase in gross profit to FL137bn.

North American results fell by 10.4 per cent to FL370m, but the bank said this region would have posted a substantial improvement if it had not been for a provision for debt securities.

## Mitsukoshi warns of Y2.3bn pre-tax loss

By Eniko Terazono in Tokyo

MITSUKOSHI, the leading department store, yesterday warned of a pre-tax loss for this year, becoming the latest victim of the troubles hitting Japan's luxury retail industry.

The retailer said it would post a non-consolidated pre-tax loss of Y2.3bn for the year to February, 1994, falling into the red for the second consecutive year. Mitsukoshi had earlier estimated a pre-tax profit of Y2.5bn for the year.

Consumers are moving

## Turkey's largest steel cable group seeks backer

By John Murray Brown in Istanbul

CARNegie International, the London securities house, has been mandated to find a buyer for a controlling stake in Celik Halat, Turkey's largest steel cable manufacturer.

Carnegie and Mr Artif Cezairli of Toros Securities, an Istanbul broker, have been formally approached by Mr Nasrullah Ayan of Turkinvest, Turkey's best-known corporate raider, to sell what is believed to be a near 50 per cent stake worth about \$30m.

The sale could effectively bring to a close a year of intense stock market speculation for Celik Halat which has been at the centre of a number

of takeover rumours. Brokers anticipate a round of Turkish mergers as companies look for foreign partners ahead of the move to customs union with the European Community in 1995.

Celik Halat, which has 70 per cent of Turkey's steel cable market, earned revenues of around \$45m in 1992. Exports accounted for 30 per cent of group sales.

Mr Cezairli confirmed that a number of Europe's leading steel manufacturers were potential bidders but declined to give the names of companies already approached.

Mr Ayan is putting his stake in Celik Halat up for sale after failing to secure control of the company.

## NEWS DIGEST

## Von Roll sees bigger deficit

VON ROLL, the troubled Swiss steel and engineering group, reports a further 17 per cent slide in sales in the first half to SF948m (\$645.5m), blaming the European steel crisis and the slump in the Swiss building industry, writes Ian Rodger from Zurich.

The group, which had earlier forecast that its loss would narrow this year, said it now expected an even larger loss than last year's SF950m.

## Hudson's Bay shows continued growth

HUDSON'S BAY, Canada's biggest retailer, continued to improve in the second quarter, reporting net profits of C\$16.5m (US\$12.5m) or 32 cents a share, more than double the

C\$7.3m or 14 cents a share, profit made a year earlier, writes Robert Gibbons from Montreal. Sales were C\$1.2bn, up 4 per cent.

For the six months ended July, profit was \$312m or 23 cents a share against C\$2.8m or 5 cents, on sales of C\$2.3bn, against C\$2.2bn. The mass market Zellers unit turned in a good performance with operating profit up 18 per cent at C\$44.8m. The Bay department stores had operating profit of C\$10.8m, up 7 per cent.

## Astra International 50% up at halfway

ASTRA International, the Indonesian automotive company, yesterday announced a 50 per cent increase in first-half net profits to Rp63.85bn (\$30.4m), signalling a recovery after a traumatic 1992, writes William Keeling from Jakarta.

Net sales increased 19.5 per cent to Rp2,521bn, despite a 1 per

cent drop in car sales to 47,371 over the year. Brokers attribute the rise in sales to improved figures from the United Tractor's heavy equipment subsidiary.

## Hagemeyer turns in 20% first-half gain

HAGEMEYER, the Dutch trading company, is on course to achieve higher full-year net profit after posting a 20.2 per cent rise in first-half net profit to FL50.6m (\$30m), writes Ronald van de Krol.

The company, which is owned by First Pacific of Hong Kong and markets and distributes branded products, said North American results showed a substantial increase, reflecting strong growth in consumer electronics and a better performance in specialty foods.

Results in Asia/Pacific were good, while profits improved slightly in Europe. Overall,

sales were up 2.6 per cent at FL1.66bn.

Pre-tax profit on normal business operations rose by 10.7 per cent in the first half to FL77.2m, while Hagemeyer's tax bill fell by 6 per cent to FL17.9m. Lower interest rates helped cut financial costs to FL9.9m from FL13.5m.

## Pioneer in reverse but payout held

PIONEER International, the Australian building products and energy group, is holding its dividend at 15 cents a share in spite of a 15.2 per cent fall in net profit to A\$151.6m (US\$102.4m). Revenues rose 4.3 per cent to A\$5.26m, writes Bruce Jacques in Sydney.

The figures reflected a 32 per cent fall to A\$149.2m in pre-tax contribution from building products, partially offset by a 2.5 per cent lift to A\$194.1m in contribution from the Ampol petroleum division.

## WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1993	Low 1993
Gold per troy oz	\$399.00	-4.25	\$340.00	\$405.75	\$326.05
Silver per troy oz	\$14.50p	-2.25	\$17.50p	\$37.50p	\$23.00p
Aluminium 99.7% (cash)	\$1150.5	-0.5	\$1299.0	\$1240.00	\$1108.00
Copper Grade A (cash)	\$1980.5	-32.0	\$1257.0	\$2375.00	\$1108.50
Lead (cash)	\$398.5	-2.5	\$337.5	\$490.00	\$378.50
Nickel (cash)	\$4495	-195	\$7225.0	\$6540	\$4495
Zinc SHG (cash)	\$5254	-4.5	\$14145	\$1112	\$980.0
Tin (cash)	\$4692.5	-170	\$6002.5	\$5047.5	\$4650
Cocoa Futures (Dec)	\$231	-52	\$282	\$231	\$231
Coffee Futures (Nov)	\$1281	+79	\$760	\$1281	\$836
Sugar (LDP Raw)	\$246.9	+3.8	\$255.8	\$317.4	\$204.5
Barley Futures (Jan)	\$104.30	-0.80	\$112.75	\$110.30	\$101.50
Wheat Futures (Jan)	\$104.30	-0.80	\$112.75	\$110.30	\$101.50
Cotton Outlook A Index	\$55.85c	-0.05	\$74.55c	\$62.50c	\$4.50c
Wool (Mile Super)	\$30p	-5	\$84	\$40p	\$35p
Oil (Brent Blend)	\$17.35c	-0.365	\$18.67c	\$19.53	\$16.46

For terms unless otherwise stated, p=premier, c=cash, f=futures.

## London Markets

## SPOT MARKETS

Crude oil (per barrel FOB Dec)

Dubai \$16.07-5.12u +0.32

Brent Blend (dated) \$17.04-7.05 +0.35

Brent Blend (Oct) \$17.34-7.35 +0.32

WTI (1st Jan) \$15.57-5.59u +0.35

## Oil products

(FIM) prompt delivery per tonne CIF

Paraffinic Gasoline \$192-194

Gas Oil \$194-196

Heavy Fuel Oil \$61-63

Naphtha \$198-199

Petroleum Argus Estimates

Other

Gold (per troy oz) \$399.00

Silver (per troy oz) \$14.50p

Platinum (per troy oz) \$377.50

Palladium (per troy oz) \$1200.00

Copper (LSE Futures) 91.25p

Lead (LSE Futures) 35.50p

Tin (LSE Futures) 4692.5p

Zinc (LSE Futures) 5254p

Nickel (LSE Futures) 4495p

Aluminium (LSE Futures) 1150.5p

Barley (LSE Futures) 104.30p

Wheat (LSE Futures) 104.30p

Cotton (LSE Futures) 55.85p

Wool (LSE Futures) 30p

## SUGAR - LCE

(\$ per tonne)

Oct 265.00

Nov 265.00

Dec 265.00

Jan 265.00

Feb 265.00

Mar 265.00

Apr 265.00

May 265.00

Jun 265.00

Jul 265.00

Aug 265.00

Sep 265.00

Oct 265.00

Nov 265.00

Dec 265.00

Jan 265.00

Feb 265.00

Mar 265.00

Apr 265.00

May 265.00

Jun 265.00

Jul 265.00

Aug 265.00

Sep 265.00

Oct 265.00

Nov 265.00

Dec 265.00

Jan 265.00

## COCOA - LCE

(\$/tonne)

Oct 801

Nov 801

Dec 801

Jan 801

Feb 801

Mar 801

Apr 801

May 801

Jun 801

Jul 801

Aug 801

Sep 801

Oct 801

Nov 801

Dec 801

Jan 801

Feb 801

Mar 801

Apr 801

May 801

Jun 801

Jul 801

Aug 801

Sep 801

Oct 801

Nov 801

Dec 801

Jan 801

Feb 801

Mar 801

Apr 80























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## AMERICA

## Dow reverses in line with bond market

## Wall Street

US STOCKS followed bond prices lower as the equity market ended on a downbeat note after what had, until yesterday, been a positive week, writes Patrick Harverson in New York.

At 1 p.m., the Dow Jones Industrial Average was down 20.40 at 3,827.78. The more broadly based Standard & Poor's 500 was 1.64 lower at 459.40, while the Amex composite was down 0.16 at 454.04, and the Nasdaq composite up 0.08 at 732.47. Trading volume on the NYSE was light at 121m shares by 1 p.m., and

declines outnumbered rises by 1,007 to 762.

Equity prices have been following bond prices higher all summer, so the morning's declines in bonds had an immediate effect upon stocks when the markets opened. Amid considerable profit-taking, the benchmark 30-year government bond fell more than one point, pushing the yield back up towards 6.2 per cent.

That decline sparked heavy selling of stocks, sending the Dow more than 20 points lower by late morning. Later, bond prices recovered somewhat, and by early afternoon trading the 30-year bond was down

at 101½, yielding 6.131 per cent. Equities, however, failed to match the bond market's recovery, as investors continued to lock in some of the profits earned this week.

Analysts were not perturbed by the sell-off, noting that trading volume was light throughout the morning session. Optimists believe that any correction in prices will set the stage for the Dow to assault 3,700.

National Medical Enterprises lost 33%, or 30 per cent, to \$77 in volume of 5.5m shares on news that more than 20 of the company's facilities were raided by FBI agents as part of a broad inquiry into alleged

criminal misconduct by National Medical, which operates private hospitals.

American Telephone & Telegraph went against the trend, climbing 1½% to \$62½ in volume of 2m shares on hopes that talks between the telecommunications group and cable companies about the creation of a multi-media communications network will eventually bear fruit.

Drug stocks were mixed. Merck rose 3% to \$32½, and Bristol-Myers Squibb gained 4% at \$55½, but Pfizer gave up 3% at \$53½ and Schering-Plough fell 3% to \$60½. Nichols Institute, traded on the American Stock Exchange,

fell 8½% to \$5½, and Unilab, traded on the Nasdaq market, fell 8½% to \$5½, after both were told to expect federal investigations to subpoena company documents as part of an investigation about possible Medicare fraud by medical testing laboratories.

## Canada

TORONTO was slightly higher in sluggish midday trade, the TSE 300 composite index rising 5.85 to 4,121.45 in volume of 34.2m shares worth C\$37.6m.

Advances led declines by 162 to 107. Paper and forest products led indices higher, followed by gold shares.

## Good results, political action lift China shares

## Zhang Tingting on the Shanghai/Shenzhen rallies

China B shares in Shanghai and Shenzhen have staged a strong comeback recently after months of decline. Since early August, and after a good day for share prices yesterday, the Credit Lyonnais Securities Shanghai B-share index has risen by 20.4 per cent to 754.56 and the Shenzhen B counterpart by 16.3 per cent to 947.86.

In Shanghai, the birthplace of both China's communists (1921) and its first capitalist stock exchange (1990), trading in B shares, which foreigners can buy, hit a record high of \$2.24m in average daily turnover in the second week of August after the inception of H shares in Hong Kong in July: the H shares, listed in the colony, were in four state-run enterprises from mainland China.

Mr Andrew Leung, a China analyst at Smith New Court in Hong Kong, attributes the Shanghai rally to the encouraging interim results from several companies and the rumours that three of the 12 B share companies - Shanghai Tyre and Rubber, Chlor-Alkali and No 2 Textile Machinery - are applying for American Depository Receipts.

The profits news apparently triggered bargain hunting, overseas investors believing that B shares had bottomed out after dropping year to a single digit price/earnings ratio.

In addition, there was action to stabilise the Chinese currency by Mr Zhu Rongji, China's vice-premier in charge of economic reform, who took over in July as governor of the People's Bank of China, the country's central bank. His support for the yuan against the US dollar also helped boost B shares, which are quoted and traded in dollar terms.

Chitank of the US, one of the pioneers in China's equity markets, missed out on the recent share price recovery. But Mr William Calvert, one of its Far East investment managers in London, is not too unhappy.

The US investment bank bought \$500,000 of China's first batch of B shares in February, 1992, when the country opened its new equity markets to foreigners. It sold out with "fantastic profits" last year though Shanghai dropped by about 50 per cent at one point on expectations of a government clamp-down on the overheated economy.

B shares have their drawbacks. Mr Calvert says that even Shanghai, generally perceived as hosting higher quality companies than Shenzhen,

accounting standards (IAS) are compulsory for final results and optional for interim results. Last year, results were published in the Chinese language and in the Chinese accounting style and in the Chinese language a week before the English version, complied according to international standards, presenting severe problems for foreign analysts.

Transparency is low: relevant information has traditionally been regarded as secret, and liable to weaken the company's position if obtained by its competitors.

The fact that the government has a controlling stake in all listed companies gives rise to concern among overseas investors over politically-appointed management and questions about its competence, directly affecting equity market performance.

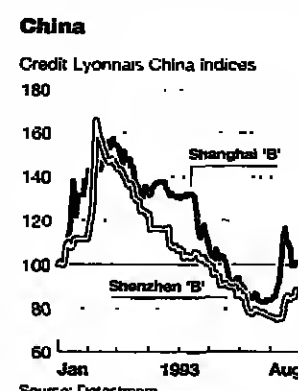
In spite of these problems, China continues to attract long-term investors as a potential economic superpower and centre of growth in the coming decades.

"They're fully aware of the risks and are prepared to take them," says Mr Guy Stevinsou, a broker with Standard Chartered Securities.

Most observers believe the current central government's attention to Shanghai's development and reform will allow the city to realise the dream of restoring its past glory as a major financial centre in East Asia, while Shenzhen will develop towards a merger with Hong Kong after 1997, when Britain returns the territory to China.

According to Mr Li Chuwen, an adviser to the Shanghai municipal government, its turnover in all shares (A shares for domestic investors and B shares for overseas) reached Rmb76bn (\$13bn) last year and is expected to hit Rmb300bn by the end of this year.

Shanghai plans to be number two Far East stock exchange to Japan in terms of annual turnover by 1995, he said.



Source: DataStream

## EUROPE

## Paris, Madrid, Lisbon set new record highs

FRANCE and Spain in particular thought positively yesterday but investment decisions elsewhere were not made easier by opposing views on Europe and the US from two big UK merchant banks, writes Our Markets Staff.

Banking Securities overweighted continental Europe (especially Germany) and underweighted the US within a flow of funds approach to global strategy published yesterday; on Thursday, Kleinwort Benson moved in the opposite direction.

PARIS shot forward to set a new record high of 2,198 in the CAC-40 index during the session before late profit-taking dragged it back to close up 10.27 at 2,183.89, a week's rise of 2.8 per cent. Turnover was estimated at FF4.2bn.

Kleinwort Benson, in its latest French equity review, forecast that the CAC-40 could reach 2,300-2,350 by the end of the year as lower interest rates begin to take hold. The brokers added that they did not expect a fall in the index because of poor corporate profits: "The worse the figures are, the faster and further interest rates will have to be brought down."

BSN was one of the few issues to go against the trend, falling FF16 to FF912. The stock was affected by news that Heineken of the Netherlands

lands was recalling bottles, made by BSN's Dutch subsidiary, because of an alleged botulism fault. Bouygues put on FF18 to FF127 after announcing that one of its divisions had won a FF1.3bn contract to build the terminal for the Hong Kong metro linking the new airport to Kowloon.

FRANKFURT began by incorporating, and adding to its post-bourse fall on Thursday after the Bundesbank's decision not to cut its key interest rates. But the DAX index recovered from a low of 1,897.83 to close 3.45 up on the day, and 0.9 per cent down on the week at 1,904.60.

Dealers gave the credit to short-covering before the week-end and renewed optimism on interest rates. However, turnover eased from DM6.8bn to DM6.7bn. Enthusiasm was curbed by the approach of the UK bank holiday on Monday, and the renewed weakness in the dollar which hit big German exporters on Thursday.

Retailers were weak. Revised sales figures, and a forecast of higher 1993 profits from Kaufhof did not stop the shares falling DM6.50 to DM530. Karstadt, Germany's largest department store chain, fell DM13.50 to DM576 on a 2 per cent rise in first half sales, profits below expectations and no hope of a second half improvement.

## FT-SE Actuaries Share Indices

August 27	Open	High	Low	Close	Change
FT-SE 100	1288.46	1300.67	1283.12	1294.94	+6.48
FT-SE 250	1383.55	1395.57	1378.19	1389.46	+5.91

August 28	Open	High	Low	Close	Change
FT-SE 100	1288.46	1310.83	1286.82	1291.83	+2.89
FT-SE 250	1384.05	1395.82	1375.46	1387.12	+3.07

AMSTERDAM recovered some of Thursday's losses and the CDS Tendency index ended 0.6 higher at 128.1, barely changed over the week.

News that Heineken was to recall and destroy 17m bottles of its export brand after glass splinters were discovered in some batches initially took the shares down to a day's low of FF180.20; but they later recovered to end up 80 cents at FF166.00. Analysts remarked that the news was unlikely to have a long-term effect on the brewer's earnings.

Among other major stocks, ABN Amro added 60 cents to FF167.20 on news of better-than-expected interim figures and plans for a rights issue, while DSM, which had fallen sharply on Thursday over worries in the European chemicals sector, regained FF1.70 to FF96.30.

MADRID broke the 300 barrier, the general index closing 3.45 higher at 302.97, up 3.8 per cent on the week with the support of interest rate hopes and the rise in the Spanish bond market.

manufacturer, rose L140 to L140.

STOCKHOLM rebounded sharply after several days of declines, the Affarsvarden general index adding 19.2 to 1,270.2, down 3 per cent on the week.

Turnover rose to SKr1.84bn. The bank and insurance sector index climbed 3.4 per cent with Handelsbanken up SKr11 to SKr129, and S-E Banken up SKr12 to SKr134. A fall SKr2 to SKr129 after announcing a SKr1.4bn rights issue while Volvo B rose SKr16 to SKr470 after Thursday's good interim figures.

LISBON reported another spurt of foreign buying as the BTA index rose 43.0 to a new 1993 high of 2,565.0, 2.8 per cent higher on the week.

ISTANBUL added 2.1 per cent to settle at a new record high, the composite index adding 244.1 to 12,020.6 for a week's gain of 8 per cent. Turnover was about TL1,200bn.

## SOUTH AFRICA

GOLD shares retreated as the price of bullion failed to pull above \$370. The index lost 45 to 1,714 while industrials shed 9 to 4,614. The overall index fell 37 to 4,017 as De Beers lost all of Thursday's gains, down R2.25 to R87.

## LONDON SHARE SERVICE

## BRITISH FUNDS

Fund	Price	Change	Yield
Shorts (Lives up to 5 Years)	108.00	+0.12	10.5%
Longs (Lives up to 10 Years)	108.00	+0.12	10.5%
Each 10p 1994	108.00	+0.12	10.5%
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Each 10p 2017	108.00	+0.12	10.5%
Each 10p 2018	108.00	+0.12	10.5%
Each 10p 2019	108.00	+0.12	10.5%
Each 10p 2020	108.00	+0.12	10.5%

## BRITISH FUNDS - Cont.

Fund	Price	Change	Yield
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Each 10p 2018	108.00	+0.12	10.5%
Each 10p 2019	108.00	+0.12	10.5%
Each 10p 2020	108.00	+0.12	10.5%

## OTHER FIXED INTEREST

Fund	Price	Change	Yield
Shorts (Lives up to 5 Years)	108.00	+0.12	10.5%
Longs (Lives up to 10 Years)	108.00	+0.12	10.5%
Each 10p 1994	108.00	+0.12	10.5%
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Each 10p 1996	108.00	+0.12	10.5%
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Continued on next page

## ASIA PACIFIC

## Rate cut hopes support Nikkei average

## Tokyo

RENEWED hopes of an imminent cut in the official discount rate bolstered futures trading, and share prices gained ground on arbitrage related buying, writes Emiko Terazono in Tokyo.

The Nikkei average saw its fourth consecutive advance, rising 199.92 to 20,791.68, for a week's gain of 0.9 per cent. The index fell to the day's low of 20,579.56 soon after the opening, but gained ground during the day, hitting a high of 20,653.39 in the final 30 minutes.

Volume was 350m shares, topping 300m shares for the first time since August 17. Brokers actively traded on their own accounts, on the first day for September delivery.

Advances outnumbered declines by 827 to 189, with 180 issues unchanged. The Topix index of all first section stocks put on 16.15 to 1,670.54 and in London the ISE/Nikkei 50 index rose 2.60 to 1274.72. A fall in short-term interest



INVESTMENT INCOME 126

## هكذا من الأهل











MORE FROM YOUR SAVINGS

# Weekend FT

SECTION II

Weekend August 28/August 29 1993

## In the footprints of the Holocaust

**O**N SEEING the road sign, I got out of the car and posed with my wife for a photograph. We had finally reached Bolimow, the village in Poland from which my grandfather, Morris Jenkins, had come to England 100 years ago.

He established a tailoring business in Manchester and fathered 10 children before dying, aged 46, in 1919. My mother, his second youngest child, was then eight years old. Although she remembered him

only faintly, she never forgot the name of his birthplace. She once said she thought it was near Warsaw. But that was all she knew. In any case, Bolimow was always mentioned in the past tense, as though it was not of this world.

We never thought of seeking it on a map. Nor did we ever think about how many generations of our family might

have existed in that part of Poland, wherever it might be.

Still less was it ever whispered that, until the second world war, we had numerous close relatives in Bolimow. It was to be nearly 50 years before I discovered that seven first cousins of my mother, all married with children of their own generation, were among the victims of the Nazis. They were the children of my great-aunt, Riva-Leah, and her husband, Mordechai Mann. Riva-Leah had died in 1929. Her elderly husband perished in the Holocaust.

As far as I was concerned, these people might never have existed. While stunned by the German atrocities, my family had always assumed that, as English-born Jews, we were immune to its horrors. We recoiled from the first photographs of concentration camp victims and were uneasy whenever we encountered the jittery, wide-eyed survivors who appeared in England after the war.

To reach Bolimow, we had driven about

60 kilometres south-west of Warsaw, across the farmland of the Mazovian plain, once a dense centre of Jewish population. At Sochaczew, once 75 per cent Jewish, we had photographed an impressive new Jewish memorial in a bare field which had been the community's cemetery. (The Roman Catholic cemetery lay next door, full of well-tended memorials).

We had also visited the bigger Jewish cemetery in Lowicz, last resting place of great aunt Riva-Leah and her mother. The cemetery's imposing brick wall still screens it from the road and about a quarter of its headstones still stand. But its other walls have vanished, together with the rest of its stones.

Driving the last kilometre into Bolimow, I realised that our ignorance of our origins was not as remarkable as it seemed. Our family was typical of those founded by poor Polish immigrants to Manchester at the end of the last century. Remembering my Jewish schoolfriends' families from the second world war, I wondered how many of them also had close relatives who were forgotten even before they were herded into the gas chambers...

ered church, only 200 metres away. All around stood single and two-storey dwellings, painted pink, brown or grey with tar-covered roofs.

There were no traces of mezzuzot, the slim prayer cases affixed to the door-posts of most Jewish homes. But I knew that several of them had been my relatives' homes until the Nazis arrived at their doors. The only modern buildings were the two-storey, white-washed PKO bank and a shabby bar-cum-restaurant.

Half a century after the war, I had scant hope of finding anyone who remembered my relatives or who could identify their houses, so I was not surprised by the blank expressions of the first elderly people we approached. We had a more promising reaction, though, from the young girl in the bar. "Try Stefan Konopczynski, the potter," she said. "He knows all about the history of Bolimow."

**Maurice Samuelson knew his grandfather came from the Polish village of Bolimow - but little else about it. When he visited it, he learned a lot more...**

A grassy square, little bigger than a soccer pitch, appeared suddenly on the right. I drove round it and parked on the cobble near a small house. With the help of Peter, the young Polish interpreter whom we had engaged in Warsaw, I wanted to question the locals about Bolimow and its Jewish ghosts.

I was not entirely ignorant about the place. Situated on the Rawka, a narrow tributary of the river Bzura, Bolimow has a dubious footnote in history - the first place where poison gas was tried out on the battlefield. The Germans used it in the winter of 1915 against the Russian front line on the other bank of the Rawka. (Because of the icy cold, the gas did not disperse; it was soon used to deadlier effect on the western front). There had also been a large forest in this region, which was the haunt of the now extinct wild ox.

I had learned about my Bolimow connections from Freda Etzion, an Israeli cousin who was born in Bolimow and went to Palestine in 1934. She had trained in Poland as a nurse. Her first Israeli home was a kibbutz near the Sea of Galilee. When the second world war started, she moved to Jerusalem, where she eventually became the head nurse at the Hadassah hospital.

From her and from Moshe Mann, another Bolimow cousin who settled in Palestine in 1932, I learnt that when the Germans marched in, there were about 50 Jewish families in the village - between 10 and 20 per cent of its population. Freda had drawn me a rough map of the centre of Bolimow, indicating the houses in the centre inhabited by our various relations. At first sight it seemed accurate, although the village green was not oval but rectangular (I later learnt that the layout was altered after the war).

In the middle stood the well and hand pump, just as she had drawn them. But she had forgotten totally the white-tow-

I had already seen this name in the Polish guide-book I had brought from London. It contained three paragraphs about Bolimow, mentioning the two Romanesque churches and the Konopczynski pottery. The book was 30 years old and neither the churches nor the pottery were on my sight-seeing list. But the presence of such a significant old-timer was a good omen.

At midday we arrived at the Konopczynski home, a solid brick house where a little girl was playing on the lawn. It was the potter's granddaughter. Her mother came to the door and asked us to come back at 2.30. Stefan, now nearly 90, was having his daily rest. In the meantime, she told us how to find the Jewish graveyard and the residence of the parish priest.

A soft August rain was falling but we decided to walk to the cemetery rather than drive. Passing a stone mason's yard, full of unfinished tombstones, we turned down a tree-lined path through a field and saw the walls of Bolimow's Catholic cemetery.

Where was the Jewish cemetery? "That's it," Peter said, pointing to the flat, open field beyond the Catholic graveyard. As the sun came out, I approached the grassy field with sinking feelings.

Where were my own forebears' graves? I wondered. Where were their headstones? Could they have been taken to the mason's yard and recycled for other people's memorials?

The field was surrounded by a ditch and embankment. There was room in it for at least 100 graves. Stumbling over the rough ground, we found only seven fallen headstones, their weathered Hebrew letters

peeping through the long grass and wild flowers. While my wife gathered flowers and grass as keepsakes, I photographed the scene.

Then we returned in silence and walked through the village to the priest's house, opposite Bolimow's second church, by the river where cousin Freda had played as a child. It was now full of pollution.

Father Ryszard Smolard, a chubby, well-scrubbed man in his early 40s, received us warmly. Over coffee and chocolate-coated cinnamon cakes served by his housekeeper, he gave a strange explanation for the Jewish cemetery's desolate condition. "The stones are all still there. But they have fallen down and are lying under the grass," he said.

He added that, following the opening of diplomatic relations between post-communist Poland and Israel, the village council was planning some kind of memorial to the Jews. The idea had been proposed by the *Voivod*, the larger administrative area in which Bolimow was situated. But as he had served at Bolimow for little more than a year, he was not briefed fully on the latest situation. Stefan Konopczynski was better informed, he said.

Bidding us goodbye, Smolard told us that the solid cream-and-brown police station we had passed in the centre of the village had been the synagogue before the war.

Alert and refreshed, Stefan Konopczynski was waiting for us. He looked 20 years younger than his real age. With his black beret and trim white moustache, he seemed more like a Breton farmer than a Polish potter.

We followed him to his pottery, a long shed in his own grounds where his son, Jan, a man in his early 40s, was working the wet clay. In a separate room stood shelves of white earthenware jugs decorated with simple but attractive patterns of doves and flowers.

The pottery was well known in the district and Stefan showed us the signature of Professor Tadeusz Mazowiecki, the former Solidarity prime minister, in the visitors' book. But I was less excited by the pottery than what father and son were able to tell me about Bolimow.

They were a remarkable repository of village history. While Stefan had devoted his life to collecting documents about it, Jan had written a doctoral thesis about its sociological development.

As his potter's wheel whirled, Jan confirmed that the police station had been the synagogue before the war. But he discounted Smolard's claim about the sunken Jewish graves. "They were removed or stolen during or immediately after the war," he said.

He had sent the inscriptions on the seven surviving stones to be translated by the Jewish historical institute in Warsaw. It was his father, he said, who had persuaded the villagers not to grow crops on the Jewish cemetery or to graze their animals on it.

Back in their living room, father and son

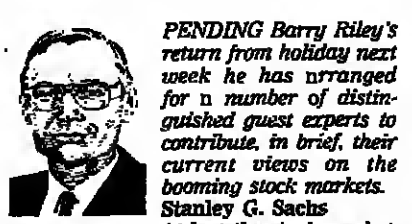
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### The Long View / Barry Riley

## From boom to doom



**PENDING** Barry Riley's return from holiday next week he has arranged for a number of distinguished guest experts to contribute, in brief, their current views on the booming stock markets.

Stanley G. Sachs

At last the stock market has ceased to focus on trailing price/earnings ratios which are depressed by bottom-of-cycle provisioning, especially by outdated dinosaur companies like IBM, and instead investors are beginning to anticipate the coming earnings boom. This will arise from the benign influences of low inflation, resumed economic growth and low interest rates.

Meanwhile our composite value indicators show no strain. Many equity market analysts have made the error of comparing current conditions with the 1970s or the 1980s. In fact there are much better precedents from the 1930s, when inflation and interest rates were low, growth was steady, and equity values were very high. We see the Dow Jones Average at 5,000 and the London Footsie at 4,000 within 18 months.

Dr Mori Duhm

No less than 22 of my 23 regular indicators of value are now approaching critical levels in most markets, to an even greater extent than in 1987. For instance, the price/earnings ratio is in excess of 25 on Wall Street, and only marginally lower in London. Dividend yields are historically unattractive, and moreover dividend cover is exceptionally weak. Corporate earnings prospects are not nearly good enough to justify the current stratospheric valuations.

The boom in stock prices, and the sustainability of low dividend yields, has depended critically upon the fall in global bond yields, which in turn has relied heavily upon the willingness of the US Federal Reserve to pump vast quantities of cheap credit into the US banking system. Within the next few months I anticipate a meltdown in which the Fed will turn down the tap, hot money will panic out of bonds and

stock prices will become value-based and not liquidity-driven. Hold on to your crash helmets.

Hector Dow-Elliott

European markets are still within their reverse triangle pattern and are re-entering the longer-term trend channel from which they will break out upwards so long as the neckline of the head-and-shoulders formation is not penetrated by the 120-day moving average before the end of September, on the basis of the FTA Europe ex UK index.

When the DAX breaks 2,000 with strength the next upward leg will be confirmed but hesitation at 1,950 would indicate a switch into the CAC subject to the satisfactory completion of a consolidation pattern and the abortion of the threatened upside-gap two crows on the Japanese candlestick charts. However, if the Finnish HEX outlines a double top at 1,500 and thus reaches its theoretical Fibonacci target all bets will be off.

Margan Schroderburg

Too many investors have underestimated the secular fall in inflation and the extent of the loosening of monetary policy, certainly in the US and Japan, if not yet in Europe. I believe the upturn in equity markets has some way to go, but disappointing economic growth next year may lead to a setback.

For companies, I would point out that the next six months may represent a rare window for raising new capital or floating off poorly-performing subsidiaries (which we prefer to describe as "non-core") at unusually attractive prices. As for investors, my advice would be to remain fully invested but to avoid new flotations or companies that raise new capital.

Rhys Mogg-Williams

Consensus economists have been thrown completely off balance by the sluggishness of the global economy and the (to them) mysterious collapse of inflation. As far as the stock market is concerned, investors have been unable to adapt to the fall in long-term interest rates which they ignorantly assume

must result in higher equity valuations. However, the current conjunction of the downswings in the Kondratieff and Juglar cycles is plainly creating industrial havoc in the Western world. In the context of chronic excess capacity, many production industries are being devastated by Third World competition and even the protection of domestic brand names is becoming almost worthless, as we have seen with Philip Morris and Procter & Gamble.

Technological progress will begin to create splendid new opportunities later in the 1990s as the next Kondratieff upswing develops, but meanwhile investors will be sadly disappointed.

Murray Henderson

In our view the latest upward breaks in most markets should not distract attention from the scope for sector rotation. Although the general switch from blue chips into small company stocks recommended at the beginning of the year may have matured, our special situations fund is still performing very well. As for recovery stocks, in fact there is now an opportunity to profit from the cheapness of pharmaceutical shares through our Health and General fund.

For those who are worried about poorer values in the leading markets - concerns shared incidentally by our top fund managers - we have a number of attractive suggestions, including our Managed Futures Fund, our Emerging Markets Trust, on which there is a 2 per cent discount for the rest of this month, and our brand new China Millennium Fund.

George Palindrom

Normally I refrain from making stock market forecasts in public because I might be accused of undermining the capitalist system through speculation. Also, my 1987 prediction of a Tokyo market collapse proved embarrassing. Now that there are no more soft exchange rate targets to aim at, however, I consider I am justified in taking stock market positions again. I am extremely bullish of the US, Japanese and European markets, and I shall continue to hold this view in public until the day after I have sold out.

## OUR MAN AT THE OVAL OFFICE!



**WHITTINGDALE**  
CRICKET PLAN

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**WHITTINGDALE**  
GILT-EDGED EXPERTS

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MARKETS

London

# Why records continue to be broken

By Maggie Urry

**R**ECORD stock market highs have become such regular events that they hardly merit being called news any more. The Footsie reached an all-time peak on Wednesday, held it on Thursday and rose again yesterday, making it through 3,100 and just staying above that.

So, what has driven the market to these levels? The combination of largely favourable economic statistics and corporate news has, no doubt, helped but two other factors are worth examining.

First, there is the question of the Bundesbank and the rate cut that never came. On Wednesday, the day before the regular fortnightly Bundesbank council meeting when decisions on interest rates are made, speculation grew that a reduction was coming. On Wednesday, too, the Footsie rose 28.9 points. It was all too easy to link the two.

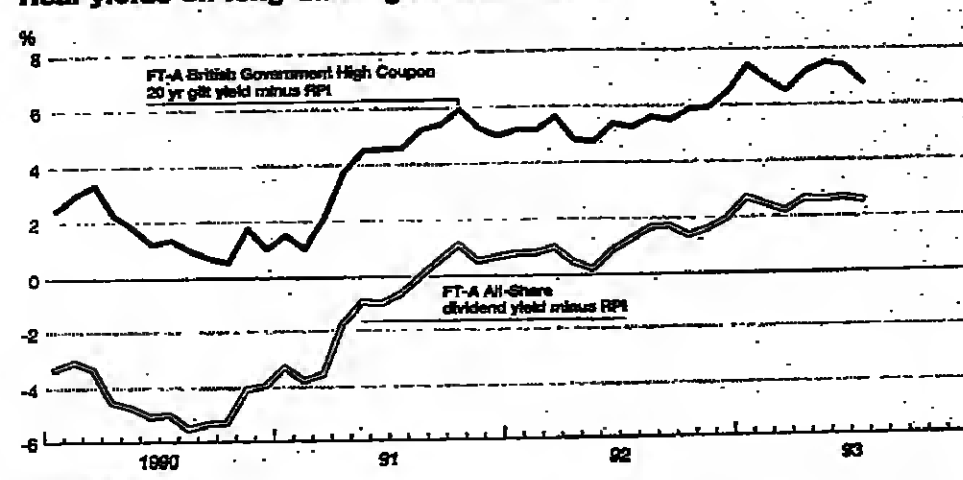
As it turned out, the Bundesbank did not cut rates on

Thursday. The Footsie trembled but closed unchanged, suggesting that it was not the prospect of an immediate German rate cut that caused Wednesday's rise. Indeed, the German stock market also rose sharply on Wednesday although it fell on Thursday.

Rather than focus on Europe - after all, German interest rates will fall sooner or later so it is hardly worth getting too worked up about timing - consider the US bond market. This has been strong lately, with the yield on the long bond dropping to near 6 per cent.

Michael Hughes, an economist at BZW, thinks real yields on bonds are coming down worldwide. A look at the chart shows that, in the UK, real long gilt yields - those adjusted for inflation - have risen over the past couple of years. Inflation has gone down recently, real yields are still high. This suggests one of two things. Either bond yields are set to fall further - in which

Real yields on long-dated gilts and shares



case, equities can continue their rise - or inflation is going up again.

The present view is that an era of low inflation combined with economic growth - the dream of every finance minister - is dawning. And it might even be true, for a couple of years at least. If so, a Footsie at 3,100.6 is by no means overvalued.

It is also worth looking at the performance of individual Footsie stocks this year. Although the index is up from 2846.5 so far, a rise of 8.9 per cent, the share prices of around a fifth of the top 100 stocks actually are lower than they were at the start of the year.

These are mainly drug stocks such as Glaxo, Wellcome and SmithKline Beecham which have been hit by fears of cuts in health spending; food retailers, including Tesco, J.

Sainsbury and Argyle, affected by theories that competition in the sector is becoming too intense; and consumer stocks like Bass, Allied-Lyons, Grand Metropolitan and Guinness, affected by fears that the revival in consumer spending is sluggish.

If the market were in an over-optimistic phase, then such stocks would not have been left so far behind.

Turning to economic news, there have been few statistics this week. But what has come from the Treasury and the CBI has been encouraging. The Treasury said on Thursday that the economic recovery this year was looking stronger than had been forecast in the March Budget. At the same time, the CBI raised its forecasts of economic growth this year and next, with a prediction of a 3 per cent rise in GDP in 1994.

Meanwhile, the official statisticians admitted the recession really was not as bad as they had thought - little comfort to those who have suffered in it.

An encouraging trend in corporate stories is the number of deals being done as companies buy or sell subsidiaries. Buyers - notably MB-Caradon, with its \$800m purchase this week of the bulk of RTZ's industrial activities but also Wolseley, with a £1.5m US purchase - are looking to expand into the economic upturn.

Sellers, like RTZ and TSB, which sold its EuroDollar car hire subsidiary to its management for £118m yesterday, are at last able to get rid of businesses they no longer want, and at reasonable prices. With all these deals going on, and rights issues and flotations

continuing apace, it is no wonder the merchant bank sector has been one of the strongest performers so far this year.

Another excitement this week - which can be taken as a hint for the market, too - was Reuters move in offering to buy back £350m worth of shares from investors to use up some of its low-yielding cash. Such was the demand to sell that Reuters had offers of 164.3m shares, 6.5 times the 25m it wanted to buy even though it was paying £14 apiece and the market price was more than £1 higher.

The reason was that those institutional investors which run tax-exempt funds, such as pension funds, could reclaim a tax credit from the Inland Revenue on top of the £14 from Reuters. In theory, then, institutions have £350m plus the tax rebate to put back into the stock market - more than offsetting MB-Caradon's £334m rights issue.

Trading results remain patchy although expectations are that forecasts for full-year earnings growth from the market as a whole will be revised upwards once the interim reporting season gets going properly next month.

This week saw BZW upgrading its profit forecast for Imperial Chemical Industries, not such a big business since it demerged Zeneca but still an important market leader. ICI told BZW that July had been a good month.

Another pointer came from Graseby, the electronics group, which said this week it would cut its 1993 dividend from 10.7p to 6.6p, after reporting interim profits up 18 per cent, because it wanted to retain cash for investment.

Serious Money

# A fine time to land in a fix

By Philip Coggan, personal finance editor

**F**IXED-RATE mortgages are now extremely attractive for potential house buyers, according to financial adviser Berry Birch & Noble - and it is hard to disagree.

Even though most experts seem to expect a base rate reduction before, or around the time of, the chancellor's Budget in November, the variable mortgage rate is unlikely to reflect that cut in full. A one percentage point cut in base rates might lead to a reduction of only a half, or a quarter, point for mortgages.

As Mike Beirling, Berry Birch & Noble's mortgage director, explains: "Mortgage interest rates cannot fall much more. Any further drop in UK interest rates will give building societies very little scope to reduce mortgage interest rates as the societies need to maintain competitive rates to attract savers."

Borrowers appear to be listening to such advice. According to the Council of Mortgage Lenders, just under half of the mortgages and re-mortgages taken out in the first quarter of 1993 had a fixed rate of interest.

Since an increase in interest rates seems a threat more in the medium than the short term, it is probably better to lock in to a mortgage with a longer period, even though the rates normally are higher. Halifax's present range of fixed rates, for example, varies from 6.75 per cent (APR 8.3 per cent) until November 30 1995, to 8.75 per cent (APR 9.1 per cent) until November 30 2003.

The Halifax is also offering a series of "stepped" mortgages, with a low rate until November 30 1994 and then a higher rate over the rest of the term.

For existing customers, the rates are: 6.5 per cent, then 6.75 per cent till November 30, 1995 (APR 8.3 per cent); 6.95 per cent, then 7.45 per cent until May 31, 1997 (APR 8.3 per cent); and 7.2 per cent, then 7.95 per cent until November 30, 1998 (APR 8.5 per cent).

Arrangement fees vary from £150 to £250 and redemption fees from three to five months' interest, depending on the term of the loan.

First-time buyers must take out buildings and contents insurance or a mortgage payment protector policy from the society, however, they benefit from a lower rate in the initial period.

Northern Rock building society is offering a 6.99 per cent fix (APR 7.9 per cent) until August 1 1997. The arrangement fee is £275 and borrowers must take out home and contents insurance.

These rates may not be the absolute lowest that fixed-rate mortgages will ever reach but they are probably pretty close to the bottom. If you are about to take out a mortgage, in historical terms, you are very lucky to have the chance to fix at present rates.

**CAPITAL SHARES** were designed to do extremely well in a bull market and they have certainly been up to the task this year.

According to S.G. Warburg, the average capital share rose 65 per cent between January 1 and August 26, compared with a 15 per cent total return from the FT-SE All-Share index over the same period.

Split capital investment trusts issue capital shares to attract investors who want a geared stock market return. The rights of capital shares vary from trust to trust.

In a simple list, there will be two classes of shares: income (which get all the new issue) and capital (which get no income, but all the growth). More complex issues throw in zeroes (which pay no income, but get steady capital growth) or stepped preference shares (which earn steady income and capital growth).

The key fact to grasp is that capital shares are at the end of the queue. All the other shareholders get paid off first.

Only if the trust's assets grow significantly will the capital shareholders earn a decent return. But once that target is passed, capital shareholders normally get all the growth, and the returns start to look really attractive.

As an example, Warburg cites River Plate capital shares. If you assume the trust's assets grow at 5 per cent a year, the gross redemption yield to capital shareholders (at the August 30 price) will be 13.5 per cent. And River Plate capital shares have already risen by more than 160 per cent this year.

Of course, such high rewards as these do not come without their risks. When the market and trust assets fall, the price of capital shares drops even faster than the prospects of a good payout recede.

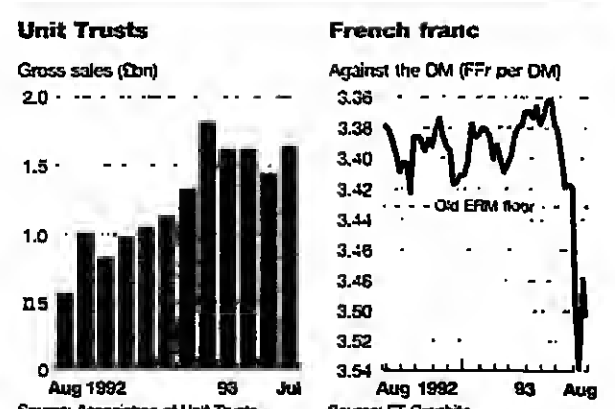
Warburg says: "Shorter-term investors may want to consider taking some profits, as we believe that the UK market is at or near its peak for the current year and there is a genuine risk of some consolidation."

It adds, however: "On a long-term view, we still believe that capital shares represent very good value and are capable of generating outperformance against the market."

For those who believe the present bull market has plenty of mileage left in it, and who are willing to accept a high level of risk to their capital, the Warburg-recommended capital shares are: Fulcrum, Overseas Scottish, General Consolidated, M & O Income, River Plate, Mercantile, River Plate, St David's and Taurus.

But be warned: these shares are definitely not for the cautious, for those who cannot afford to lose any part of their capital, or for those who are tax-conscious.

AT A GLANCE



## Unit trust industry now has £78.8bn under management

Sales of unit trusts continue to soar, as investors in low-yielding savings accounts look for an alternative home for their capital. Gross sales in July were £1.631m, compared with £500m in July 1992 and, after repurchases of £383m, net sales were £248m.

The industry's funds under management are now £78.8bn. The most popular funds among private investors in July were the UK Balanced, UK General and UK Equity Income trusts.

## Bundesbank blow to optimists

The Bundesbank kept its Lombard and discount rates unchanged this week, disappointing those optimists hoping for a cut. The French franc came under downward pressure after the Bundesbank decision; no doubt a matter for discussion between German Chancellor Helmut Kohl and French premier Edouard Balladur, who were meeting this week. On Monday, France cut its overnight interest rates.

## US tax returns incentive

US expatriates who have not filed their federal income tax returns, are being given an incentive by the Internal Revenue Service to come clean.

Moore Stephens, the New York-based accountants, says that US citizens living abroad can now exclude housing costs and up to \$70,000 of foreign-earned income from their gross income. Previously, these exclusions could only be claimed on an income tax return or an amendment filed within a limited period. Under the new rules, an expatriate taxpayer can file returns which are years overdue and no time limit is set for filing a return claiming the exclusions.

However, Moore Stephens warns that if expatriates owe federal income taxes and are contacted by the IRS before filing their returns, they lose the tax break.

## New enterprise zone trust

Collective investments have launched EZIT, a new enterprise zone trust. The aim is to raise \$4.4m for office headquarters which have been pre-let to Nike (UK), subsidiary of Nike, the manufacturer of sports footwear. The HQ is to be built at the Duxford International business park which is part of the Sunderland enterprise zone. The minimum investment is £10,000 and the closing date is September 3.

## Fresh share dealing service

A new share dealing service has been launched by City Deal Services, of Romford, Essex. Commission charges will be a flat rate of £3, plus £1 per £1,000 of trade value.

The new service called Posttrade will open on September 1 (further details on 0708-728887).

There will be a special introductory offer of a flat rate selling commission of £8.50 on privatisation shares worth less than £20,000. City Deal Services is a member of the Securities and Futures Authority and has recently become a member of the Stock Exchange.

## Smaller companies join the fun

With the FT-SE 100 index continuing to reach new highs, smaller company shares are joining in the euphoria. The Hoare Govett Smaller Companies Index (capital gains version) rose 0.8 per cent from 1577.03 to 1590.21 over the seven days to August 26.

# Six years on, memories of the crash revive

**A**MERICANS cannot resist anniversaries. They are not content with making a big fuss of just the nice round numbers like 10, 20 or 25 years. Anything that happened this time any number of years ago is an excuse for a party, a commemoration, or for the chance to sell a few million more greeting cards.

In fact, why wait a whole year? This week, New Yorkers who work at the World Trade Centre observed the six-month anniversary of the day the twin towers were bombed. At least the Floridians who suffered at the hands of Hurricane Andrew's fury had the patience to wait 12 months before remembering their disaster.

So, it was no surprise this week when Wall Street analysts pointed out that the US stock markets reached their pre-crash high six years ago this past Wednesday. On August 25 1987, the Dow Jones Industrial Average climbed 25 points to 2,722.

Just a few weeks later, of course, the great crash of October wiped a staggering

36 per cent off the Dow's value.

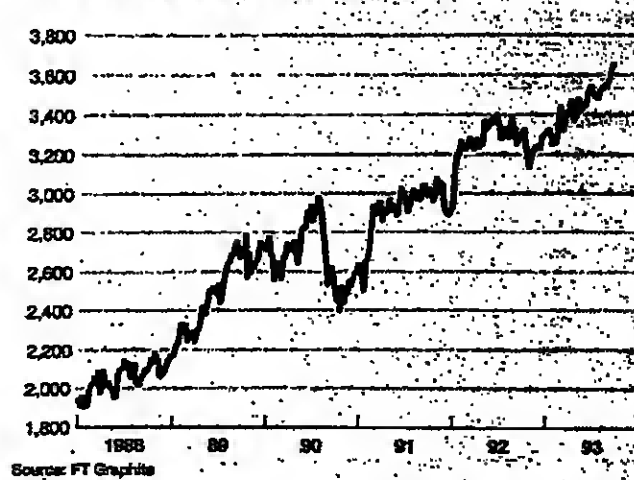
The point of noting this particular anniversary, of course, was to suggest, none too subtly, that history might repeat itself. After all, this week the Dow rose on August 25 to an all-time high of 3,652.09. And, in the two trading days that followed, the average failed to advance past that mark, slipping back amid profit-taking.

Could this be an omen? Are the markets heading for the kind of calamitous event that made October 25 1987 such a memorable date?

Few really think so, for 1993 is different from 1987 in one all-important characteristic. Six years ago interest rates were rising - a key ingredient in any big market correction. Today, interest rates are falling - and to record low levels, to boot.

While no one is discounting the possibility that stocks may struggle to sustain their present highs, and could even suffer some kind of setback, the consensus among Wall Street analysts is that as long as interest rates stay low, the

## Wall Street



markets should be in good shape.

It is difficult to over-state the role interest rates have played in the 1993 bull market. It certainly has not been the robustness of the economy that has propelled share prices to such heights this past year.

August has been a case in point. Equities have performed extraordinarily well in spite

of the fact that the economic news has been less than encouraging.

So far this month, stocks have risen on all but six of 18 trading days, and only once (in yesterday's morning session) did the Dow register a double-digit decline. Countless record highs have been set in August and the volume of trading has been surprisingly heavy for what

is traditionally the busiest holiday month of the year for market practitioners.

Investors have been buying stocks because interest rates have been falling - and falling fast - thanks to a still-struggling economy, low inflation, and a shortage of new bonds.

At the start of August, the yield on the benchmark 30-year bond stood at 6.56 per cent. By yesterday morning, the yield had dropped to 6.09 per cent, the lowest it has been since the Treasury began issuing 30-year bonds on a regular basis in 1977.

Short-term rates also have fallen sharply this month: the yield on the two-year note has dropped from 4.1 per cent to 3.6 per cent.

With interest rates so low, stocks are attractive to investors seeking returns better than the 2 to 3 per cent available on short-term assets like certificates of deposit and money-market funds.

One problem, however, is that stocks look expensive at the moment, at least by historical standards. The Standard & Poor's 500 is trading at 23.5 times earnings.

**T**HE US appetite for mobile communications seems limitless. Even before AT&T's \$12bn buyout of McCaw, shares in the UK mobile operator Vodafone had shot up, thanks largely to US investors.

The shares began May at 377p then enjoyed a rise in anticipation of encouraging year-end results. The market was pleased by the profits and outlook and the shares resumed their climb even before the McCaw deal. They closed last night at 579p, up more than 50 per cent in less than four months.

Moreover, Vodafone has been one of the week's heaviest traded stocks on Wall Street where it has an ADR listing. More than a quarter of the company's shares are held in the US; a significant increase in a few months.

What does Wall Street see in Vodafone? "The size of the McCaw deal convinced US investors that other cellular operators are undervalued," says Laurence Heyworth, telecommunications analyst at Robert Fleming.

Vodafone is not the only ben-

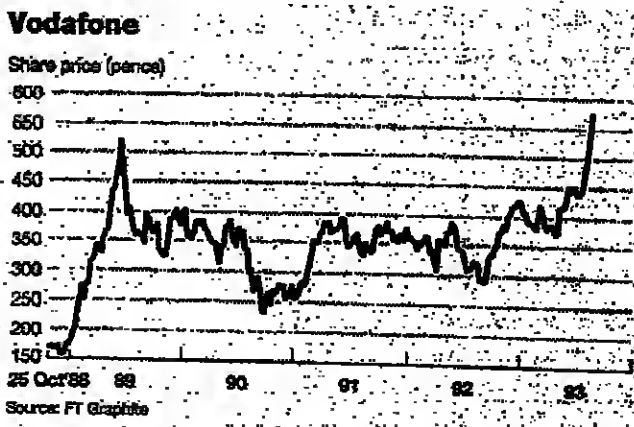
eficiary of the cellular gold rush. But as the world's largest dedicated mobile company it is the prime magnet for funds in search of a second McCaw.

If they are after another takeover, investors are probably backing the wrong horse. Allowing for a typical premium, a purchaser would need to find about \$7bn. The only telecommunications companies with that sort of spare cash are BT and AT&T. But after their recent spree, neither is in the market. Anyway, regulatory hurdles would prevent BT from making the acquisition and accounting considerations deter everyone. A buyer of Vodafone would have to take a gigantic goodwill write-off since its net assets are worth only about \$800m.

Investors banking instead on still larger returns from Vodafone's businesses in the UK and overseas can take some

## The Bottom Line

# Talking telephone numbers



comfort. Europe's cellular operators enjoy a licence to print money. They are monopolists or duopolists in lightly regulated markets. Their customers regard the services as essential and pay little of the bill personally.

Vodafone prints more than

most. Last year its operating profit was 46 per cent of sales and its cash flow 58 per cent. With 115,000 net new connections to its existing analogue network since last December, 50,000 of them paying the standard business tariff, its margins are unlikely to fall significantly this year.

Long term, Vodafone wants as large a population base abroad as at home, allowing for relative income differences. Yet its overseas licences are mostly recent acquisitions, and significant foreign revenue is at least two years away.

The UK markets will determine the company's medium term fortunes. It is astonishing that Vodafone and Celtel have avoided price regulation for so long. A large part of the explanation is that competition has always been just around the corner.

After repeated delays, it is finally coming. In the shape of Mercury One-2-One, a digital PCN network about to be launched in and around London. One-2-One is not going all-out for the existing operators on price. Its prospective tariffs have so far obliged Vodafone to do no more than

cut the special premium on its business tariff in London, and price local calls on its new "MetroDigital" network, coming on stream in October, more competitively. With capital costs falling fast, that is still compatible with 50 per cent margins provided One-2-One expands the market while only slowly bringing down prices. That may happen. It is what Gerry Whent, Vodafone's chief executive, has in mind when he says of One-2-One: "We need you as competition, otherwise we will get regulated."

However, if it does happen it may not be the end of the matter. For if competition fails to bring down margins, the case for regulation will be unanswerable. On the other hand if "softly softly" fails to get Mercury many customers, the very survival of One-2-One may push Mercury into a serious price war for the first time in the industry's history.

Private consumer who do pay their own bills can only relate the prospect. But neither scenario would comfort Vodafone's new US investors.

Andrew Adonis











## FINANCE AND THE FAMILY

# Pain in Spain for holiday home-buyers

New tax could make life more complicated for those owning property through offshore companies, reports Caroline Garnham

**T**HE IMPOSITION of a new tax – the 5 per cent *impuesto especial* – has brought into question the advantages of owning a holiday home in Spain through an offshore company.

In the good old days – probably before those of time-share – you would be encouraged to buy such a property through a non-Spanish (probably Gibraltar) company, either by the vendor or by some friendly local expatriate or adviser.

The reasons given for owning your holiday home through a non-Spanish company could be any one or more of the following:

■ To avoid ISD, Spain's equivalent to inheritance tax. The rate varies but can be as high as 81.6 per cent, although only where the inheritance is more than Pta100m and passes between people with no family relationship.

Recipients resident in Spain are charged ISD on all gifts and inheritances, but ISD is charged only on Spanish-sited assets for non-residents. If, therefore, you are a non-Spanish resident and you own your *casa* through a non-Spanish company, you will be owning shares in a company outside

Spain and not the property directly. Therefore, you will be outside the scope of Spanish ISD.

Another advantage of the offshore company relates to the lack of a double-tax treaty with Spain covering death duties. If you are UK-domiciled when you die, your estate will be charged UK inheritance tax and the beneficiary of your Spanish property will be charged ISD unless you have set up an offshore company.

■ To avoid the Spanish equivalent of capital gains tax on a sale or gift.

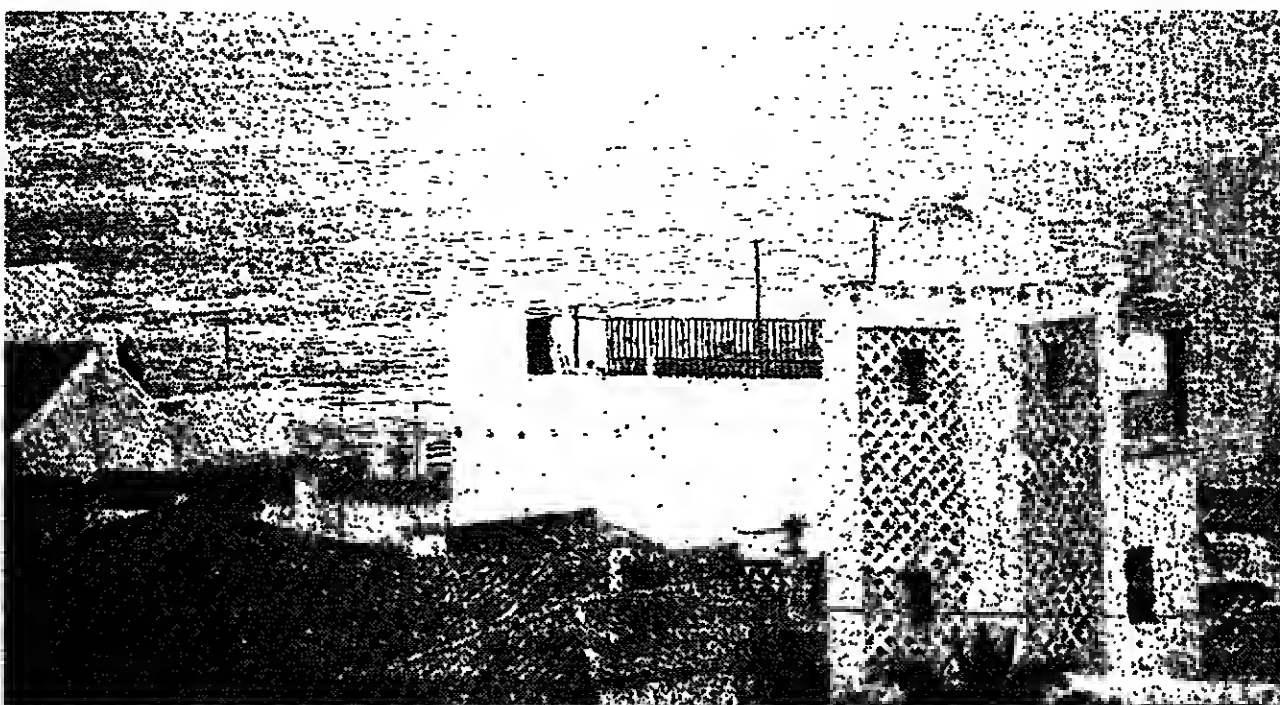
For non-Spanish residents, Spanish tax is charged on the disposal of Spanish property but not on the sale of shares in a non-Spanish company.

■ To avoid the costs on a resale or gift – which can be as much as 11 per cent.

The greater part of these costs is taken up by the Spanish equivalent of stamp duty, ITP. For residential property, this is generally 6 per cent of the sale price.

■ To avoid *plus valía*, which is a local tax charged on the increase in the so-called *catastral* value since acquisition.

Land in Spain has a value which can be ascertained from the local town hall. Histori-



Where the tax could bite... Torremolinos, one of the popular areas for acquiring holiday homes in Spain

cally, *catastral* values have lagged behind market value; but now that the market price for Spanish property has

fallen, the *catastral* values are closer to market value.

■ To avoid the rules of succession in Spain (in other

words, who gets what when you die).

Spanish succession rules apply only to Spanish nation-

als, and provided you can prove that your will complies with your local law, this usually is accepted.

One way to avoid this charge could be for your Spanish property-owning company to be controlled by a trust, so that accommodation is provided through being a beneficiary of this rather than an employee or director of the company.

The reasons for buying a Spanish property through a non-Spanish company are quite convincing, but what are the drawbacks? First, if you are a non-Spanish resident and you are thinking of letting your property there, the *Hacienda* (Spain's Inland Revenue) can make non-resident companies pay corporation income tax, or ICS, at 25 per cent on the gross rent received from the property.

Second, if you are resident in the UK for tax purposes, owning a property in Spain through a non-Spanish company could result in tax problems in the UK. The Inland Revenue can charge income tax on the benefit of accommodation provided by a company if you are an employee or director (including, arguably, a deemed director who, in fact, controls the company).

One way to avoid this charge could be for your Spanish property-owning company to be controlled by a trust, so that accommodation is provided through being a beneficiary of this rather than an employee or director of the company.

Where your trust should be resident depends on your domicile. If you are domiciled in the UK, there is little advantage in

setting up a trust elsewhere. Third, and not least, is the new *impuesto especial* which applies to all non-Spanish companies holding Spanish property. The tax is charged on the *catastral* value and accrues on December 31 each year, starting in 1992.

There are a number of exemptions, especially where the non-resident owner can satisfy the authorities of the origin of the funds used to acquire the *casa*, as well as the identity of its owners together with an undertaking that the authorities will be notified of any change. At present, the *Hacienda* is interpreting this exemption very narrowly – in particular, when dealing with Gibraltar holding companies.

The *impuesto especial* poses no real threat to an English resident buying his *casa* through a non-Spanish resident company and trust structure – assuming the original source of funds is ascertainable, clean, and causes no embarrassment to either the company or the beneficial owner. But where this is not the case, the problems may not be quite so simple to resolve.

■ Caroline Garnham is a tax and trusts specialist with City firm Simmons & Simmons.

## Directors' transactions

SALES WERE a prominent feature during a fairly quiet week. Two directors of Alba, chairman John Harris and chief executive Daniel Harris, each sold 650,000 shares at 145.6p. The group has a diverse range of businesses including audio and video goods and giftware. Over the past six months or so, the share price has performed steadily and both men retain considerable holdings, accounting for more than 34 per cent of the company.

Evans of Leeds, a property development group, is another company where the share price has been doing well. Recent sales at between 204-208p by

Michael Evans, a non-executive director, and Bill Gibson, an executive director, still leave each with a considerable number of shares.

Indeed, Evans – who, with other members of his family, holds almost 50 per cent of the company – has reduced his holding by only a small proportion.

Scantronic makes alarms used against intruders and for the care of the elderly. The recent sale by Christopher Brookles, the chairman and chief executive, was made for tax purposes.

Colin Rogers, the Inside Track

### DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
<b>SALES</b>				
Alba	Elms	1,300,000	1,905	2
BPP Holdings	BuSe	62,712	251	1
BHD Securities	Onf	60,000	73	1
Cranwick	FdMa	62,000	112	1
de Morgan	Prop	1,250,000	60	2
East Surrey Hldgs	Watr	5,200	18	1
Epwin	BdMa	57,091	153	1
Evans of Leeds	Prop	2,001,750	4,084	2
Eve Group	CSC	10,000	44	1
Falmer Press	Misc	44,054	177	1
Fletcher King	Prop	200,000	120	1
Henderson Admin	JHF	5,500	58	3
Kirk Saxe	FdRe	14,500	107	1
Lecamonth & Burchett	Elms	25,000	56	1
London Merchant Sec	Prop	30,000	32	1
Lykes (S)	Taxi	14,500	11	1
Marks & Spencer	Stor	128,867	460	2
Neurocos	Onf	7,000	12	1
Reed International	Med	74,600	497	1
Scantronic	Elms	550,000	473	1
Securcor Group A	Tela	6,000	42	1
Tams (John)	Misc	13,400	12	1
Westbury	CSC	6,000	13	1
<b>PURCHASES</b>				
Cardiff Property	Prop	15,000	27	1
de Morgan	Prop	1,250,000	60	1
Rodme	Elms	7,278,545	582	3
Shopton	FdRe	10,000	16	1
Takara	Hldg	8,000	19	2
The Investment Co	Onf	50,000	19	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (if a 100% subsequently sold, with a value over £10,000). Information released by the Stock Exchange 16-20 August 1993. Source: Directus Ltd, The Inside Track, Edinburgh

## Monthly sales

JOHNSON FRY is launching a monthly postal auction for buyers and sellers of second hand with-profit endowment policies.

Selling a second-hand endowment policy is usually a more attractive option than surrendering it to the life insurance company because buyers are attracted by the steady growth that with-profits policies can provide.

Bidders will be required to

make a deposit of £500 for a submitted bid (a catalogue of policies for sale can be obtained from Johnson Fry Securities, 20 Regent St, London SW1Y 4PZ). There will be a reserve price for each policy and no bid below that will be accepted.

The first auction date is on September 14 and bids must be received by 10am that day.

P.C.

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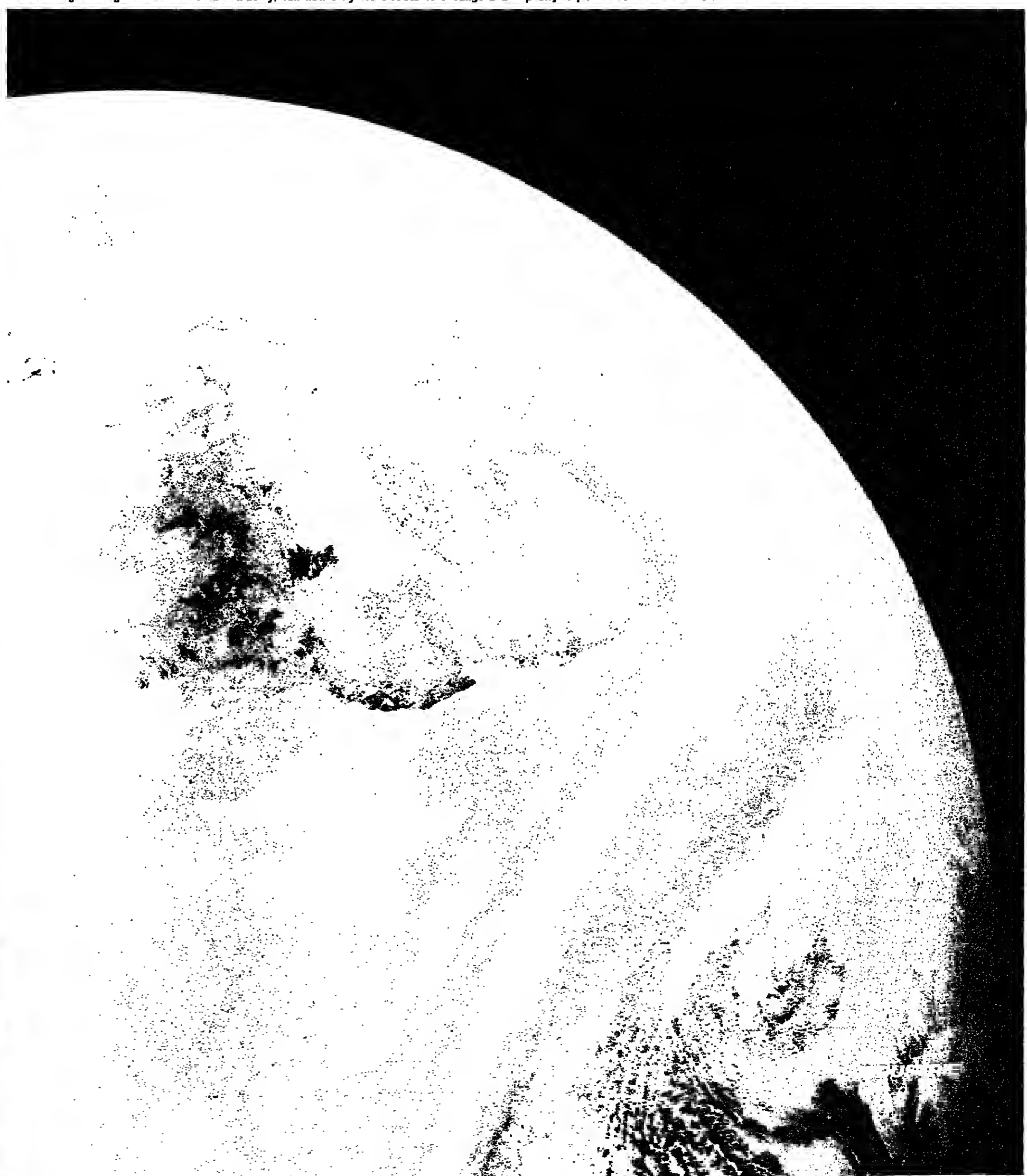
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## SHARE TECHNOLOGY BOOM

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Just look at the recent stunning performances of some techmarket stars:

	1992	1993	%
	Low	High	Increase
Mid-market prices in pence			
Gresham Telecomputing	6	186	3000
Acom Computer	6	162 1/2	2608
Avesco	9 1/2	106	1015
TDS Circuits	3	27	800
Laser-Scan	8	60	650
LBMS	49 1/2	365	637
Alphameric	7	48	585
Astec (BSR)	12	60 1/2	479
Norbain	33	190	475
Cornac	18	96	433
Telematrix	30	155	418
Tadpole Technology	73	384	398

Clearly, enormous profits can be made. But prices can also go down. That is why you need sound advice. Techninvest is the only investment newsletter dedicated to technology shares on the London Market. Published monthly since 1984, each issue provides comments and tips on this exciting sector.

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## FINANCE AND THE FAMILY

### Unit trusts

# Small doesn't have to be risky

*Scheherazade Daneshkhu profiles a fund which has profited from minimising the hazards in a volatile sector*

**T**HINK smaller companies, think risk. This is the thought process which James Findlay, manager of Hypo Foreign & Colonial's US Smaller Companies trust, is keen to dispel, since his strategy is to minimise investment risk in what is seen as a volatile sector.

"That strategy seems to have paid off and the fund has an impressive record. It is top of the North American sector over the seven years and five years to August 1, and is the second highest-performing fund in that sector over three and two years, according to the Hardwick Stafford Wright Stats Pack.

When it was launched in 1988, as the F&C American fund, it was not confined to smaller companies. Findlay, who has managed it since 1986, says the decision was made to concentrate on smaller companies after a time when corporate re-structuring, brand name exploitation and a weak dollar - which had helped larger companies to outperform - appeared to be ending. The fund's name was changed in 1989 when it had only £1m under management. Now, it has \$80m.

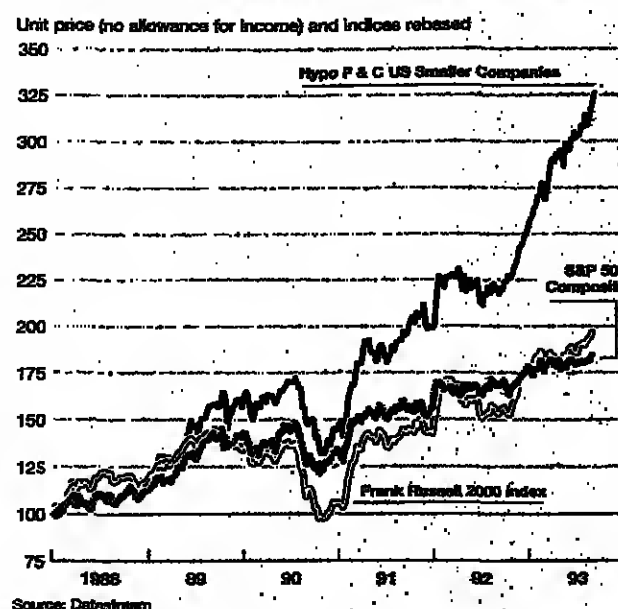
In 1987, when stock markets collapsed, the fund lost 30 to 40 per cent of its value - not unusual at the time and better than many smaller companies' funds, but a situation which Findlay would not care to see repeated. "Until then," he says, "I had been doing much the same as everyone else by investing in new issues, technology stocks and restaurants. But, after the crash, I decided to formulate a strategy to create a vehicle to invest in the US with a lower volatility ratio than most of the other funds."

Part of this strategy is to adopt a longer investment horizon by trying to double the share price in two to three years instead of adopting the shorter term time horizon followed by most other smaller company funds. The share price must be cheap relative to earnings, cash flow or asset value, but Findlay will not invest unless a company is well managed.

Most smaller companies' funds seek out firms in rapidly growing sectors of the economy but, unusually, Findlay tends to avoid those involved in technology because he believes their performance is too unpredictable and volatile. The down-side of this lower-risk strategy is that the fund misses out on high-growth periods, such as 1991 when the US high-technology sector was the star performer. Still, Findlay says he is prepared to accept this as the price for reduced volatility.

"Most people like to invest in a cure for cancer, but these companies tend to be expensive and have a high risk profile," he says. "The primary goal for me is to lose any money in an individual investment, so I try to find understandable businesses with predictable earnings."

### Hypo F & C US Smaller Companies Trust



At the end of the day, the compounded rate of return is what matters to investors.

This means that the list of companies in which the fund invests is decidedly unglamorous. "You could fall asleep looking at it," Findlay admits.

The largest holding, accounting for 4 per cent, is in Tejas Gas, an unregulated pipelines company which sells their use

to gas companies. Findlay likes it because it earns money each time gas goes through the lines. "I try to have companies with a lot of recurring revenues," he says. "Tejas has no capital investment to make, so earnings are free to be invested in buying more pipelines. I never invest in companies which have to sell equity capital in order to grow."

Magna Power, another favourite, is also an energy company which produces electricity through geo-thermal sources. "It is a very stable business and I have made three times my money in the four years I have held it."

Oakwood Homes, which specialises in making prefabricated dwellings, has also produced good returns. "One in four homes in the US is built in a factory and earnings are growing very rapidly as the housing market recovers," says Findlay. One disappointment, however, is Pulitzer Publishing, which has fallen 15 per cent in value since it was bought earlier this year. Findlay thinks it will recover.

There are 60-80 companies in the fund, but the term "smaller companies" is relative in the US since Findlay will choose stocks with a market value anywhere between \$100m-1bn. The average initial market capitalisation of his companies is \$400m.

The US market offers around

1,500 stocks from which to choose and Findlay says he relies on industry contacts rather than brokers to find the ones he wants. He tries to make use of market inefficiencies in his search.

What of the currency risk? Findlay admits he has not been active at hedging the fund, which did not seem necessary when the dollar was cheap in 1987. "We have got a better system now so that, if the dollar is over-valued, we will think of hedging."

Although this is a smaller companies' fund, Findlay's aim is to beat both the Russell 2000 index, which tracks the performance of smaller companies, and the S & P 500, which follows the performance of the largest stocks. This requires tight discipline, and Findlay says he sometimes has to force himself to sell a stock he likes once he thinks it is over-valued. But he stresses: "The performance of this fund has come by controlling risk, even in a terrible market like 1990."

Charges. The fund has a 5 per cent initial levy and a 1.5 per cent annual. The present bid/offer spread is about 6.5 per cent. Because the fund has more than 50 per cent of its assets outside the EC, it qualifies for a 5 per cent allowance of only £1,500 instead of the full £5,000. Hypo F & C does not have a specific Pep attached to it.

**E**VERY sensible person, venturing into the stock market, must expect the odd nasty surprise. But not, surely, so many and so often out of the blue. Consider these examples:

■ Hartstone, an up and coming hosiery group, crashed from 277p in February to 30p in April despite having been tipped widely to rise to higher things.

■ Trafalgar House shareholders were "surprised" in January when profits announced as £122m for 1991 turned out to be a £38m loss, after a change in accounting policies.

■ Bimec Industries, riding on a green "environmental" tide at 75p in February 1991, had plummeted to 65p and been forced to seek the attentions of a company doctor by August of that year. The dividend was cancelled suddenly.

This week, the group wrote off £3m of debt in a restructuring, announced it had negative shareholders' funds - and said it would be suing its auditor, Grant Thornton.

■ Queen's Moat Houses, Britain's second-largest hotelier, halted a long course of price fluctuations and rumours by suspending its shares on March 31 at 47p (they were 92p just 10 months earlier) in order to "clarify the

company's financial position." Now, shareholders must wait until autumn to see what, if anything, is left for them.

There must be few investors who cannot quickly add to the above list. Yet, these are not fly-by night gambling counters. Queen's Moat Houses was advancing boldly across Europe with a chain of business hotels while Hartstone, with the well-founded aim of knitting together a fragmented hosiery industry, had already achieved second place in Europe.

Far from seeking to conceal information, Hartstone's chairman, Stephen Barker, following the suggestions of the Cadbury report, invited shareholders not attending the annual general meeting to send in questions with their proxy papers to be read out.

answered at the meeting and then circulated so as to keep everyone in touch.

It is the confusion that follows the nasty surprise and the disruption of perspective that, for the investor, as for

*Harry Hopkins wonders why investors increasingly have been getting the sort of news they didn't want*

the workers, must be the traumatic feature.

Nasty surprises should regularly be subjected to post-mortems from impartial qualified bodies to determine what went wrong and where the fault lay, and the reports should be made accessible. Such examinations should not leave out the roles of brokers, public

relations firms and the press. How far do brokers - and company brokers, in particular, which must experience divided loyalties - play a Pled Piper role in the progress to the cliff?

Is everything possible done to make potential investors aware of the risks, even if they have managed to remember the widely-disseminated admonition that "shares can go down as well as up?"

A year or so before Hartstone's nasty surprise, a slide table at the company's 1992 AGM featured a batch of

research reports that were comprehensive, thorough and lucid. One, from E2V, ran to 41 single-spaced pages with many tables and charts. It was headed: "Latest acquisitions give 'brand' new opportunity."

A second, from Morgan Stanley, had nine pages. It was headed: "Hartstone: one and one make more than two," and contained a buy recommendation.

A third report, from Warburg Securities and dated June 25 1992, also said "buy." But its mere two pages did contain a distinct 5-inch paragraph headed: "Risk areas."

This opened: "History provides many examples of unexpected setbacks among highly acquisitive small companies. Many of these had previously enjoyed the freedom to employ some highly creative account-

ing. Management capacity has undoubtedly been stretched... As we write, there is an excess hosiery market capacity of some 15 per cent so a price war remains a distant possibility."

With hindsight, such a succinct caution might have given one pause. For so many of these nasty surprises seem to derive from the same factor: over-rapid acquisition programmes in times of recession, leaving no leeway for unscheduled developments such as demand falling off suddenly and stocks building in Europe. Or from developments in accountancy's vast hall of mirrors.

Perhaps, in the interest of cutting down nasty surprises, even brokers' recommendations should have to carry a risk warning, stated unequivocally in a prominent box. This would at least be an improvement on that patronising slogan "shares can go down as well as up."

### International bond funds

THE TABLE shows the 10 highest-performing international bond funds in the year to August 1. The average growth rate was 20 per cent and the top six funds managed returns of at least 30 per cent, according to figures from Morningstar.

Philip Saunders, manager of Guinness Flight's Global High Income bond trust, said the "bumper capital gains" had been achieved mainly because of the fall in the value of sterling once it left the exchange rate mechanism last September.

"Currency returns can account for more than 50 per cent of returns in international bond funds. Sterling investors have been protected from the devaluation, which is part of the reason for holding an internationally-based portfolio," he added.

Caroline Ray, manager of Newton's International bond fund, also said the gains arose from an investment strategy which recognised that interest rates in Europe would fall and the ERM was unsustainable.

Her fund has benefited from the strength of the yen relative to the dollar since increasing its yen holding at the beginning of the year; the fund has now switched to being overweight in dollars.

Both funds attribute their relatively high yields to investing in the high-yielding Italian and Spanish bond markets, but the Guinness Flight fund aims for income while Newton goes for

total return. Neither manager expects the same level of capital returns over the next year.

But both say there are further gains to be made and bond funds will continue to offer a higher fixed rate of income than cash. Windingdale's fund is dollar-denominated and invests only in short-dated US government bonds.

Its performance in sterling terms is determined by that of the dollar, for sterling investors this has meant capital gains as sterling has weakened against the dollar in the past year.

Minimum investment is £5,000, with an initial charge of 1.25 per cent and an annual charge of 1 per cent.

The initial charges for the Guinness Flight fund are on a sliding scale depending on the level of investment. The minimum for this is £1,000 and the highest charge of 3.5 per cent is for investments up to £9,999.

The lowest charge - of 1 per cent - is on £50,000 and above.

The annual fee is 0.75 per cent. Newton's international bond fund has a 2 percentage point discount off its 6 per cent initial charge and has waived its 1.25 per cent annual management fee, both for an unspecified period. The minimum investment is £1,000.

*Scheherazade Daneshkhu*

Fund	Size (£m)	Yield (%)	Perf*
Guinness Flight Global High Income	12.1	7.4	32.0
Whittingdale US Short	4.6	0	31.2
Newton Intl Bond	2.7	6.8	31.6
Perpetual Global Bond	78.8	8.4	31.8
CU PPT Intl Bond	7.0	5.4	31.7
S&P Intl Bond	24.2	5.2	30.2
Norwich Intl Bond	30.0	5.3	29.8
Legal & Gen Intl Bond	1.3	4.6	29.7
Investco Intl Bond	4.1	5.5	28.7
Canon Intl Currency	28.7	5.0	27.4
Sector average	32.8	5.4	26.2

Source: Morningstar. \* As of August 1. Offer-to-buy with net income reinvested over year to August 1. Funds without one year record are excluded.

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<b>INSTANT ACCESS A/c's</b>					
Birmingham Midshires BS	First Class 0802 302080	Postal	£500	6.75%	Yly
Manchester BS	Money by Mail 061 839 5545	Postal	£10,000 £25,000 £50,000	7.00% 7.25% 7.50%	Yly Yly Yly
<b>NOTICE A/c's and BONDS</b>					
Greenwich BS	Capital Shares 081 558 8212	30 Day	£10,000	7.10%	Yly
Scarborough BS	Scarburgh Ninety 3 0723 368155	90 Day	£25,000	7.50%	Yly
Universal BS	High Income Bond 091 232 0573	1 Year	£20,000	8.35%	Yly
Chelsea BS	Base Rate Plus 0200 272505	2.15%	£5,000	8.00%	Yly
<b>MONTHLY INTEREST</b>					
Britannia BS	Capital Trust 0538 380115	Postal	£5,000	6.45%	Mly
Brickel & West BS	Bairdnet Monthly 0800 100117	30 day	£25,000	7.55%	Mly
Brickel & West BS	United Editioned 0800 498487	31.15%	£25,000	7.81%	Mly
Chelsea BS	Base Rate Plus 0800 272505	2.15%	£5,000	7.73%	Mly
<b>TESSAS (Tax Free)</b>					
Hindkley & Rugby BS	0455 251234	5 Year	£25	8.05%	Yly
Dunfermline BS	0383 721621	5 Year	£3,000	8.00%	Yly
National Counties BS	0372 738702	6 Year	£3,000	7.90%	Yly
Dudley BS	0384 231414	5 Year	£10	7.87%	Yly
<b>HIGH INTEREST CHEQUE A/c's (Gross)</b>					
Calderonian Bank	HICA 031 556 8235	Instant	£1	5.50%	Yly
Chelsea BS	Classic Postal 0800 717815	Instant	£2,500	5.85%	Yly
Northern Rock	Current 0800 591500	Instant	£25,000 £30,000	6.85% 6.95%	Yly Mly
<b>OFFSHORE ACCOUNTS (Gross)</b>					
Woolwich Guernsey BS	Woolwich Intl 0481 715735	Instant	£500	6.25%	Yly
Confederation Bank Jersey	Flexible Interest 0534 608080	30 Day	£10,000	8.75%	Yly
Derbyshire (Q&M) Ltd	00 Day Notice 0624 683482	30 Day	£50,000	7.80%	Yly
Yorkshire Guernsey Ltd	Key Term 0481 710150	31.84%	£5,000	6.70%	Yly
<b>GUARANTEED INCOME BONDS (Net)</b>					
Consolidated Life FN	081 940 8343	1 Year	£2,000	4.65%	Yly
Consolidated Life FN	081 940 8343	2 Year	£2,000	5.25%	Yly
Consolidated Life FN	081 940 8343	3 Year	£2,000	5.65%	Yly
Consolidated Life FN	081 940 8343	4 Year	£2,000	6.10%	Yly
Consolidated Life FN	081 940 8343	5 Year	£2,000	6.25%	Yly
<b>NATIONAL SAVINGS A/c's &amp; BONDS (Gross)</b>					
Investment A/C		1 Month	£20	6.25%	Yly
Income Bonds		3 Month	£2,000	7.00%	Yly
Capital Bonds G		5 Year	£100	7.75%	Yly
First Option Bond		12 Month	£1,000	6.34%	Yly
<b>NAT SAVINGS CERTIFICATES (Tax Free)</b>					
40th Issue		5 Year	£100	5.75%	Yly
8th Index Linked		5 Year	£100	3.25%	Yly
Childrens Bond E		5 Year	£25	7.85%	Yly

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable). OM = Interest paid on maturity. Net Net Rate. A = Rate guaranteed until 1.11.93. B = Rate guaranteed to be at least 2% above base rate (then 0%) until 2.1.94 and then 1% above base rate until maturity. C = 0.75% bonus if no withdrawals pa. E = Rate guaranteed until 1.12.93. G = 6.5 per cent on balances over £25,000 and over. H = 7.25 per cent on balances of £25,000 and over. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Lane, North Walsham, Norfolk, NR26 0BD.

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## FINANCE AND THE FAMILY

## New funds look East

THE GROWING investment fashion for emerging markets was illustrated this week by the announcement of two new funds in the area.

Emerging markets are favoured because of their high economic growth and relatively undeveloped stock markets which, enthusiasts believe, offer greater opportunities for profit.

Foreign & Colonial's new emerging markets subsidiary has launched an offshore, open-ended fund which will invest in India. Meanwhile, Robert Fleming is planning to launch a Chinese investment trust.

The F&C fund will be based in Luxembourg and will aim to invest in medium-sized growth companies. F&C says that economic growth in India is predicted to reach 7-8 per cent by the middle of the decade.

It adds: "Low-cost, medium-sized companies are likely to find it easier to adjust to the changing policy framework and many have already begun to experience more rapid growth than their high-tech counterparts."

IndSec Securities & Finance Ltd, an Indian fund

management group, will act as adviser to the fund. The launch price will be \$10 a share and the minimum investment will be \$10,000.

As well as its Luxembourg base, the fund will invest via a wholly-owned Mauritius subsidiary. F&C says the structure will reduce Indian capital gains tax to zero and dividend income tax to 15 per cent.

Fleming's Chinese investment trust will use the Hong Kong-based Jardine Fleming as investment adviser and S.G. Warburg as the stockbroker.

Jardine Fleming is estimating that Chinese economic growth will be 12 per cent in 1993 and 8 per cent in 1994. The trust is expected to be launched at the end of September.

Potential investors should realise that single-country emerging market funds are likely to be highly volatile because the stock markets involved are so illiquid. A more widely-spread emerging markets fund is likely to be a much safer bet for the small, or first-time, investor.

Philip Coggan

## When the taxman pays

David Cohen explains the benefits of PRP, a salary scheme designed to leave employees with extra income



return for an equivalent pay cut. A worker on £10,000 would switch to £9,000 basic and £1,000 PRP. Paying no tax on the latter would mean that although his gross salary was unchanged, he would be £250 better off in terms of take-home pay.

This type of salary swap is often

used instead of a salary increase; it costs the company nothing and gives the employees their rise. Alternatively, if the company

wants to be more generous, it can

give a partial increase plus PRP. Employees will then be even better off

and the package will still have cost less than a full increase with no PRP.

However attractive the theory, a salary sacrifice scheme can be implemented only with the consent of the relevant employees. And unless 80 per

cent of those eligible to take part - all full-timers with a qualifying period of up to three years' service - agree, the scheme cannot proceed.

How should employees react to

such an offer? Does it have any risks? Obviously, that will depend on precisely what is offered. A key - if obvious - point to remember is that the amount of PRP cannot be guaranteed in advance; it all depends on profitability.

To allay employee concerns on this score, most companies pay out the bulk of PRP on account during the actual profit period. When the actual

profits are computed, employees then get any balance owed.

If, on the other hand, it transpires that profits are lower than expected and employees have, therefore, been overpaid, most schemes provide that the company waives its right to be repaid. This is crucial because it puts a guaranteed floor under the PRP.

Take again the example of a worker earning £10,000 and sacrificing 10 per cent of his salary for 10 per cent PRP. Assume that 80 per cent of anticipated PRP is included in his monthly pay packet.

Over the year, that will give him £800 of extra tax-free income. To get it, he has had to sacrifice £1,000 of taxable income which would have been worth only £750 net. So, with the promise that the monthly PRP is his for keeps, the employee can be certain that he will be at least £50 better off even if the company's profits fall below expectations.

Most employees who get this degree of re-assurance will, no doubt, be prepared to sign on the dotted line. Before doing so, they ought at least to bear in mind that the reduction in their basic salary could have some negative consequences.

In particular, if they belong to a company pension scheme, their entitlement might depend on their basic pay, with additional sums - such as PRP - being excluded from the reckoning. Similarly, if they apply for a mortgage, the offer from the lender is likely to be based on a multiple of salary with no account being taken of PRP.

These minor quibbles apart, a well-structured PRP scheme is a must for any company wanting to use taxpayers' money to reward its staff and an opportunity which employees should seize with both hands.

David Cohen is a partner in the City law firm of Pains & Co.

## VAT on flat

I AM ABOUT to have some essential repairs done to a flat I own in London, which I occupy occasionally. The managing agents will be responsible for supervising the work and have billed me for their services, including £254.64 value-added tax.

As a foreigner and non-resident of the UK, am I not entitled to exemption for this VAT charge? My bankers, stockbrokers and other professional advisers who I employ from time to time exclude VAT in their invoices to me.

If the agents are correct, would I be entitled to a refund similar to those on goods I buy when in the UK and export personally when departing. If so, where should I submit my claim for the rebate?

You are not exempt from VAT on charges relating to your UK property although other services, including those of stockbrokers, are zero rated to non-residents.

You can obtain a refund of VAT on goods exported by you. The retailer will give a form to complete which explains the rules. The detailed rules are set out in Customs & Excise notice 704.

## Reclaiming tax credits

I HAVE BOUGHT BT3 shares for my son, who is six months old. To whom should I write and what is the procedure for claiming back tax credits attached to the dividends?

Second, I have a brother who works and lives in Canada. He holds various UK shares, with his address registered to the UK (ie, my address). Can he claim back tax credits attached to dividends, and what is the procedure?

Provided that your son's income (inclusive of tax credits) from gifts from your wife and yourself does not exceed £100 in 1993-94, you should ask your local tax office for a form on which you and your wife can claim payment of the tax credits on his behalf next April. If possible, tell the local tax office the names and reference numbers of the tax offices which deal with your own and your wife's returns.

If your son's income derived (directly or indirectly) from funds provided by your wife and yourself exceeds £100 in 1993-94, no tax credits will be paid to you on his behalf; his

## Q&amp;A

BRIEFCASE

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dividends will be treated as your own (or your wife's, as the case may be) under section 663 of the Income and Corporation Taxes Act 1988.

On the second point, we take it your brother is a Commonwealth citizen. That being so, he is entitled to a full personal allowance against his UK income for 1990-91 onwards. If his UK dividends (inclusive of tax credits) exceed his personal allowance, he will be entitled to payment of a quarter of the 20 per cent tax credit on his dividends for the present tax year in excess of his personal allowance, by virtue of article 10(3) of the double taxation convention between Canada and the UK.

For 1990-91 to 1992-93, the corresponding payment will be two-fifths of the 25 per cent tax credit; in each case, the effective residual rate of UK tax is 15 per cent, and this is eligible for credit against his Canadian tax liability by virtue of article 21(1)(a) of the convention.

He should write for claim forms (one for each tax year) to the Inland Revenue, Claims Branch (International), St John's House, Merton Road, Bootle, Merseyside, L69 9BB, giving his nationality and details of any periods spent in the UK in the past six years.

## Inspector is right

I HAD EXCESS capital gains in 1992/93 and, in completing my tax return, I sought to use losses carried forward from 1977. These amounted to £1,185 and I suggested to the inspector that the sum should be increased by the indexation allowance from March 1982 of 1.753, giving a March 1993 loss figure of £2,078. He says the 1977 loss cannot be increased by the indexation allowance and that only the figure of £1,185 is available to offset gains. Is he right?

Yes.

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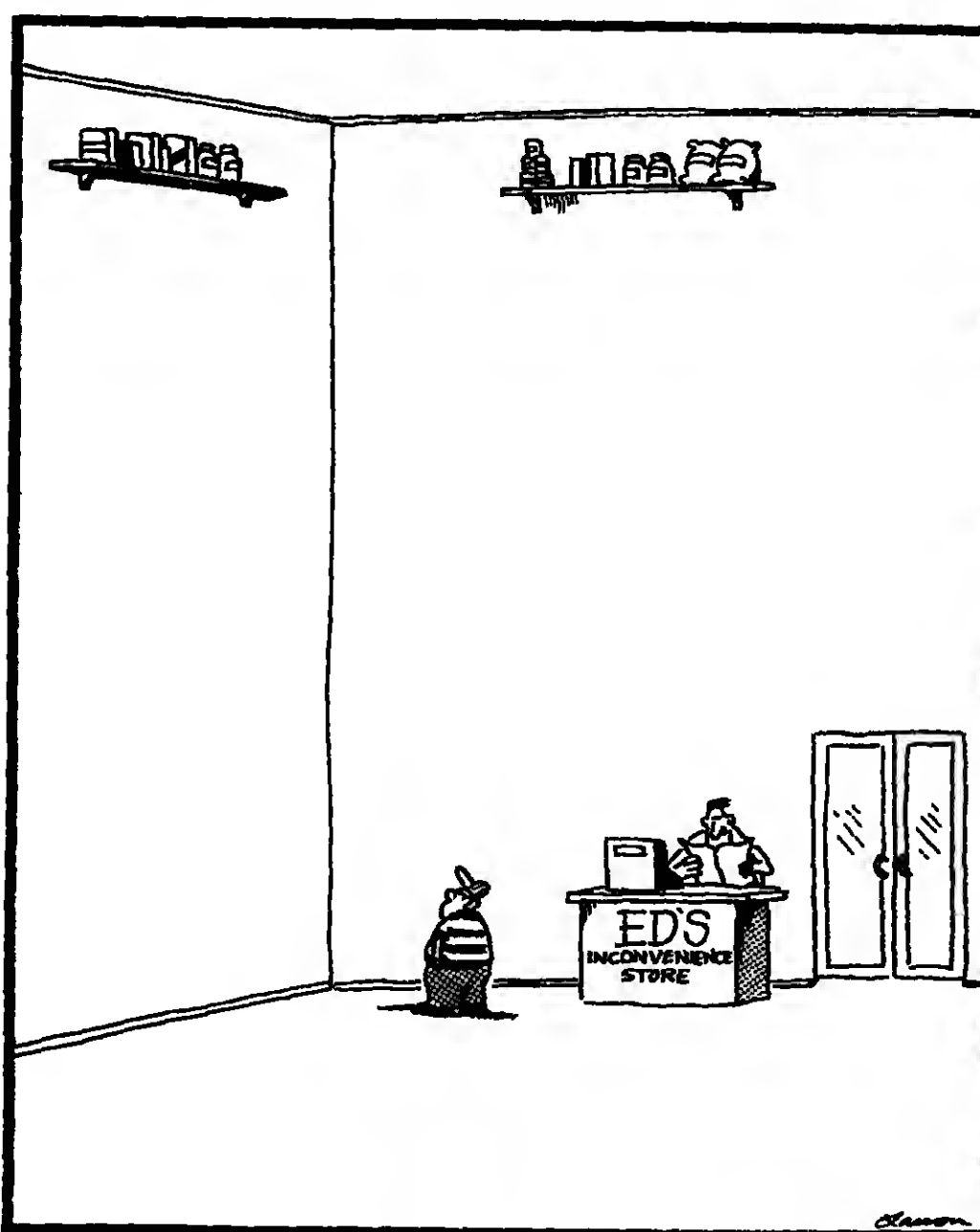
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## FOOD AND DRINK

## There is life after Bull's Blood

Jancis Robinson considers the politics of Hungarian viticulture

IN EVERY large tasting of a super-market or off-licence's wine range this year, I have been surprised by the value offered by Hungarian wines in the heavily populated £2.50 to £3.50 per bottle bracket. And, once the country's privatisation ferment has settled, we should see an even more interesting range of fiery whites and clean, fruity reds.

The pioneer, as usual, was Bordeaux-based, Australian-trained Hugh Ryan, whose response to the frost damage to France's 1991 crop was to install himself in a well-equipped but under-utilised winery in Gyöngyös, east of Budapest, and vinify lorryloads of bargain Sauvignon and Chardonnay grapes.

Gyöngyös Estate wines, £3.35 from Sainsbury's and £3.39 from Threshers, are still at the cutting edge of Hungary's white wine output - although its 1992 Semillon has been commercially hampered by the fact that the Hungarians forgot to register Semillon as an approved Hungarian variety in Brussels.

Two colourful rival importers are at the

heart of extracting wines to suit British palates from Hungary's excitingly varied but under-achieving vineyards. Both of them laugh much more than seems appropriate in view of the confused state of Hungarian wine production, which has suffered from a lack of motivation and is now suffering from the disappearance of its old Comecon markets.

About half of all Hungarian wine exports to Britain are imported by Eva Keresztury and her associates, who include Ryan. "I'm a strange creature," admits this jolly Hungarian. "I came to England as decoration when my husband came to work in the City for one of those strange foreign trading organisations."

Drawn in to the Hungarian wine business by the need for translators, she now

runs Interconsult, a strange foreign trading organisation of her own, from her dining room in Barnes, south west London, and shepherds increasing numbers of professional wine buyers around wineries and vineyards in the throes of privatisation.

"One of the most pleasurable trips of my life was soon after I started in 1991 when I took the two Safeway buyers around the wineries. What a revelation! The winemakers blushed and had tears in their eyes when they made friends that pleased them. We worked 18 hours a day and never seemed to sleep."

Her determination to sort the wheat from the chaff, and make the most of some very exciting fruit, which can yield "brilliant" wine only if handled properly,

has led her on one occasion to buy and install her own bottling line. She is now directing a team of antipodean and local winemakers in various temporary locations. It all sounds suitably Romantic.

Hemant Kotecha, of Manchester, is her main competitor in exposing the best of Hungary to western palates. A Ugandan Asian, he took a master's degree in crop control at Reading before immersing himself in business. He went to Hungary in 1989 looking for general commercial opportunities, and wine was one of the commodities offered.

He too started up his company, Myliko, in 1991 and applied antipodean technology to a well-equipped Balaton winery, in this case to produce the Chapel Hill range of white international varietals at £2.95.

The Chardonnay, at Sainsbury's, is a snip; the Rhine Riesling, at Victoria Wine, is nicely fruity (although not dry); only the overripe Sauvignon disappoints.

Safeway, particularly open to suggestion from the east, has the most genuinely interesting selection of Hungarian wines, which reflects its genuine interest in what distinguishes the country and its very different wine regions.

Oddbins has the fine Volcanic Hills range. Its moody label was designed for Eva's company by a 19-year-old who has never left Hungary. The early Alsace-like Pinot Gris 1992 at £2.49 is my favourite, and I can reluctantly understand why they did not use the grape's Hungarian name, Szürkebarát.

Some of the crispest, liveliest red wines

selling anywhere at £2.99 are Sainsbury's Villányi Hills Cabernet Sauvignon and, even fruitier, Merlot, stocked by Threshers, Bottoms Up and Wine Rack - and miles better than these shops' Hungarian whites at the same price. The Tuscan firm, Audi, has invested in the Bátorföld estate, north in the country's south west and the lively red Kekfrankos and spicy white Zöldvelveti are available at about £4.50 from Great Northern Wines of Leeds.

Other more expensive wines are, inevitably, in the trans-Danubian plateau, although I have yet to be thrilled by them. But both major importers are planning to introduce some of Hungary's rich, gamey bank of indigenous wine varieties. Look out for 1993 Harsleveli.

And what of Hungary's most famous wine, the legendary rich, deliberately sherried golden Tokay? Do not ask. A bevy of international wine companies is trying to establish a firm foothold in this historic region, but they are being comprehensively bamboozled by local landowners and state officials.

## Common Markets

## Romanians count the cost of luxury

Giles MacDonogh tries to find something worth buying in Bucharest

BUCHAREST is a city replete with the usual eastern European contrasts: the luxury hotel - well, by Romanian standards it counts as a luxury hotel - where a largely foreign clientele pays what it considers to be rock bottom prices for food and drink; and, across the way, the little street market where pitifully small quantities of food change hands for what locals consider to be intolerably inflated sums.

The hotel is called the Bucharest. The market is on the other side of the Calea Victoriei behind one of Bucharest's loveliest small Greek orthodox churches. It is called the Piața Amzei. A market will generally give you a good idea of the local diet; but you will get only a limited impression of what an inhabitant of Bucharest eats from the Piața Amzei, for it sells

only fruit, vegetables, flowers and cheese.

I was there in the spring when the only fruits to be seen were a few bruised apples and pears. The vegetables were more interesting. They were arranged in little lots on newspapers: posies of spring garlic which Romanians chew with their soup as if they were spring onions; and an early spring speciality, a reddish-blue leaf which is used to make a meatless Lenten soup called *cioba de toboza*.

Muddy parsnips were set beside little heaps of chicory. In a far corner of the market a salesman was doing brisk business selling excellent acacia and "poliflori" honeys at 100 lei and 800 lei a jar.

When a lorry turned up loaded with fresh eggs the driver was virtually mobbed by old women in headscarves. Eggs were clearly a rarity.



A woman displays a few peppers at a Bucharest market; pitifully small quantities of food change hands

Not so cheese. This was sold from a covered building by four men wearing white aprons and tribal hats. The best is a hard ewe's milk cheese called *brinza*. Some wheels are sold smoked.

A soft, foeta-style ewe's milk cheese was also available as was a cow's milk curd called *telemea*. In some places you may buy a whey cheese called *urda*, but I could not find it here.

As I walked back to the Calea Victoriei, a drink shop caught my eye. There was a whisky for sale

called "Big Boss" which purported to come from "the Highlands". Later I discovered that it came from the highlands of the Lebanon. Dodgy as it was, it cost 2,600 lei (about £250), which is a lot for a Romanian.

Seventy per cent of this is taken by the government in tax. Whisky is chic, but the local spirit drunk in the country is *țuică*, a plum schnapps similar to slivovitz. It can be coarse stuff.

I personally preferred the version made from quinces in Transylvania

which is tempered for a year in Mulberry wood casks and sold at a more modest price.

Meat is the most important part of the Romanian diet. The *gustare*, or first course, of a typical meal is all meat. In spring you might get *drob*, a cake of lamb tripe which was translated for me as "mixed organs".

It was liberally sprinkled with pepper and bound with an egg. Another Wallachian delicacy is *böboc*, a mutton sausage made in horseshoe lengths and flattened

under stones. It is hard on the teeth. Romania's national soup is *cioba de burta*. This, I was told, was what used to sustain the Christian janissaries, elite troops, in the Ottoman army.

It translates as "sour stomach soup" and is made from tripe. It can be an alarming sight if you are unused to tripe. You blend the soup to your own liking by adding garlic sauce, vinegar or cream and eat it with green chillies and spring garlic. Another popular soup is a purée of stinging nettles.

After the excitement of the first two courses, the main course might come as a disappointment: *sarmale* are similar to Greek dolmas, with vine leaves often replaced by cabbage leaves.

The basic blend can change from region to region but basically it is meat and rice. *Sarmale* are eaten with *mămăliga*, polenta made into a cake the size of Christmas pudding and cut with a string. Little meat balls are also popular. These are also eaten with ferociously hot chillies.

Sadly, to eat such authentic Romanian dishes you may need to be asked into someone's home or entertained on a farm. The face of Romania, which is reserved for foreign tourists is rather different.

In the restaurant *Valvet*, on the other side of the Hotel Bucharest, you will have difficulty finding any Romanian dishes whatsoever. The food is all western. There is no cheese and no Romanian *spărit*.

The vodka is neither Romanian nor Polish, but comes from Poland and for the privilege of *hauling* you might be just about anywhere, you will pay the equivalent of a Romanian citizen's monthly salary.

## Appetisers

JUST IN time for the autumn-making and pickling season comes *Harvest Times*, a guide to some of the best farm shops and pick-your-own stiles countrywide. Sources of plums and runner beans abound, but the guide also tells where to buy rare treats such as home-produced rowanberry jelly, rocket, and Pink Fir Apple potatoes - all near Dunbar in Scotland; globe artichokes in Surrey; home-cured bacon in Herefordshire; pumpkins and squashes near Wolverhampton; manure near Bristol; and bee-keeping equipment in Wales.

The guide is free if you send a 10in x 7in size, and readers are requested to write to naming good farm shops and PYOs with a view to their inclusion in the next issue. *Harvest Times* is at 22 Long Acre, London WC2E 9LY.

If you are interested in olive oil you will not want to miss a seminar on the subject on Wednesday, September 29, at the Accademia Italiana in west London.

Conducted by oil merchant Charles Curry and chef/cook school proprietor Carla Toman, the day will cover the history of the olive, production areas, the making of oils, tastings and lunch. Tickets cost £100 apiece - a price tag that reflects olive oil's status as one of the most expensive oils to produce. Inquiries to: *Paraskevi Cook*, 73 Cleve Court, Judd Street, London WC1N 3QW. Tel: 01-773 3833.

Philippa Davenport

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## LEGAL NOTICES

## THE INSOLVENCY ACT 1986

## RIVERSIDE LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 76 of the Insolvency Act 1986 that a meeting of creditors will be held at The Riverside Insurance, 20 Aldersbury, London EC3N 7JY, on Thursday, 2 September 1993 at 2.30 pm for the purposes mentioned in Section 76 and 104 of the said Act.

Creditors wishing to vote at the meeting must lodge a proxy, together with a statement of their debt, at the office of Robert Rhodes, 100 City Road, London EC1Y 1AU not later than 1.30 pm on Wednesday, 1 September 1993.

A list of the names and addresses of the company's creditors will be available for inspection, free of charge, at the offices of Robert Rhodes, 100 City Road, London EC1Y 1AU on Tuesday, 1 August 1993 and Wednesday, 2 September 1993 between the hours of 10.00 and 16.00.

Dated the 24 day of August 1993 W. J. Edgar Director

## MINDING YOUR OWN BUSINESS

## Hobby horses for learners

POLO IS NOT an easy sport to get started in. The game itself is so exciting that any spectator would be tempted to climb up on a pony, swinging a stick with HRH and the best of them. Deep pockets are an initial requirement. A basic outfit of two ponies, trailer, clothing and membership of a UK club would probably cost around £10,000.

Even if the cash is available for a debut - and plenty of complete beginners buy expensive boats to go yacht racing in - there is the ghastly ordeal of being a highly visible novice in a team of only four. As the summer polo season reaches its height there would quite possibly be a sizeable crowd on the touchline, their passing interest in polo fuelled by Jilly Cooper's "jodhpur-ripping" best-sellers.

"I have an occasional nightmare of being on stage in an orchestra, in front of a large audience, with a violin in my hands which I can't play. That must approximate to a first game of polo at a member's club," laughed Anthea Hartley of the Chiltern Polo Centre, based at her home, Lower Silsones Farm, near Great Missenden, 30 miles north-west of London.

Last year she began to turn the family hobby (four Hartley children aged 12 to 19 all play Pony Club polo) into a business. Her concept was to use the barns, stables and 65 acres of pasture at the farm to open polo's equivalent of the golf driving range.

"Beginners and people who can't afford the grand end of polo give us our market," said Anthea. Three evenings a week in the summer there are group classes where anything up to 15 people pay £40 for two hours instruction, including the use of a pony.

Polo has to be safety-conscious. The possibilities for calamity with horses colliding at 30 mph is very real. So one of the earliest classes is a rules session on a green table-top - complete with plastic ponies - marked out as a polo field.

In a barn that also doubles as a dormitory during residential courses for younger players, a mixed group of pupils ranging from a local builder to a Peat Marwick accountant, pore over the display and discuss tactics with New Zealand instructor and professional



Well-schooled: Anthea Hartley, with instructor Simon Hill and Toby Hartley in the background

## player Simon Hill.

But even at a first lesson our tyro player gets to mount up and play a chukka, one of the seven-minute spells of intense action which make up a match. In the gossip columns it may be the Princess of Wales waiting behind the goal line, chez Hartley it is more likely to be son Toby, 17, patrolling with a hockey stick to stop the ball being lost in a nettle bank.

While after-work tuition on Mondays, Wednesdays and Fri-

## Horse &amp; Hound

the weekly magazine that is a bible in equestrian circles) and that is our primary source of new clients," said Hartley, adding that she spends just under £3,000 a year with the magazine.

Referrals from polo clubs themselves are increasing. "I doubt the really grand clubs even know we exist, but the others are beginning to send one or two beginners to us," she said.

Instructors are paid on a

## Polo is a difficult game to master. Keith Wheatley visits a business which teaches beginners to handle a mallet

days is the backbone of the business, Chiltern Polo Centre has its bespoke club. One northern businessman, challenged to play by a colleague but without any previous experience, recently booked three days of one-to-one tuition. A team from the Quorn, challenged to polo by another hunt, took a crash course.

Other healthy sources of revenue are affluent Nigerians and Ghanaians sent to England by indulgent fathers and anxious to learn polo for the social status it confers in west Africa.

"Word of mouth is important but we advertise every week in

freelance basis but the yard has two full-time staff during the season. They undertake a small amount of livery and schooling for more experienced players looking for a place to keep polo ponies.

Using these, plus her children's mounts, gives Anthea Hartley the ability to maintain the large number of ponies a school requires at relatively low capital cost.

An additional bonus is that as the polo bug bites deeper into its victim, a pupil often becomes a pony-owner with an animal to be kept at livery, creating more revenue for the centre. These people are far from plutocrats. One regular

arrives on summer evenings with his polo sticks (£25 each) strapped to his motorcycle.

"My son played via the Pony Club and I got talked into having a go," said Malcolm Stilling, 39. "Now it's become a terrible obsession. I've bought a pony, and I have to come here for these weekly therapy sessions."

Robert Colin, a loss adjuster from Ealing,



THE PERFECT holiday traveller is a magician. She arrives without fuss carrying one small suitcase from which she apparently pulls an endless stream of clothes so that she looks elegantly and appropriately dressed on every occasion. You do not believe she exists? Then read on and find out how anyone can turn themselves into her.

It may not all be done with mirrors but it is a matter of illusion. This paragon knows how to get a gallon of clothes into a pint-sized bag. The secret, of course, is interchangeability based on a narrow range of colours, giving the maximum number of permutations from a limited number of pieces.

The successful packer knows that the easiest colour combinations around which to work are neutrals because they all go with each other and you need only a few accessories to go with all of them. The black, white and cream combination chosen for the wardrobe on this page is ideal. She also knows that clothes pack more tightly and emerge less creased when rolled rather than folded, and that anything which will not fit into the largest acceptable aircraft cabin bag (55cm x 24cm x 31cm according to Louis Vuitton, which makes one) is not worth taking. This applies just as much to two as one week holidays; the laundry bills or, for the parsimonious, a few minutes' washing, are minor inconveniences compared with lugging a larger suitcase.

If a short-notice invitation to the south of France arrives just when she thinks her summer is over, the perfect holidaymaker will already know (as the FT photographic team discovered) that an easy way to get there is with Air UK from Stansted, which has a speedy check-in to help you go from central London to your hotel in the Nice area in about 3½ hours. She will also know exactly where to go to replenish her holiday wardrobe in the dog days of summer when many stores have already decreed that autumn has arrived. As efficient a shopper as she is a traveller, she will home in on Whistles, Jaeger, Ronit Zilkha, Dorothy Perkins, Jeffrey Rogers and The Hat Shop at Harrods and top House of Fraser stores, all of which are joining the trend for an extra "transition" collection of high-summer separates to fill in the awkward period between ever-earlier sales and serious autumn arrivals.

Some fabrics such as the textured viscose which Ghost use year-round, are non-seasonal, and smaller-scale designers who work to order, such as Amanda Wakeley, keep their summer styles going longer. If she has more notice, the traveller may order one of the pale silk dresses, pyjama-style trousers, waistcoats or loose shirts re-created from original 1920s patterns by the Gallery of Antique Costumes and Textiles. These take about two weeks to make and are available all year round, so the really organised are ordering now for their winter holidays.

The ideal holidaymaker's glory is that she is the perfect guest, with the appropriate outfit for whatever she is invited to do, although even she would probably not make so many changes in one day as we show here. Coupled with all the extra combinations that these pieces make, this wardrobe should supply enough fresh looks for a week's warm-climate holiday.

Each item can be used in several different ways. Both pairs of shorts go with each swimsuit and the striped body. The swimsuits themselves can also be used as bodies, while the velour robe, minus its belt, doubles as a grand evening coat.

The fitted linen shirt-jacket adds a touch of formality to the longline shorts, the silk dress or the crushed silk skirt, while the loose linen shirt gives these same pieces, or the black trousers, a more relaxed mood.

It is also useful as a beach cover-up, as is the printed georgette shirt which, worn loose with the trousers, makes an informal evening outfit. The silk skirt

dresses down when worn plainly with a body or swimsuit but looks more evening-style with a scarf and the crêpe top, which also goes with the trousers. The crêpe skirt looks slim and sophisticated with a body while the cream knit looks good with everything, especially the silk dress, for cooler days.

Subtract from these clothes one non-crush outfit to travel in - perhaps the black trousers, the body and the knit - and add the jewellery we show, a roll-up hat, three pairs of shoes (deck-shoes, espadrilles and smart sandals), a nightdress and a modicum of lingerie and you should still have

room in that hypothetical bag for an extra top and a sarong. The only piece of poetic licence is, perhaps, the robe. Carry it over your arm - it could be useful on the aircraft.

As you are also allowed a handbag, take advantage of a large, squishy style to hold your toilet

bag, sunscreen, sunglasses, paperback, tickets, money, passport and embroidery or other anti-delay device.

And as you stroll calmly through the most crowded and frenetic of airport lounges, no-one will know that, as perfect travellers go, you are merely a novice.



Breakfast time: Lycra swimsuit, £25, velour shorts, £75, and robe, £295, all from Amanda Wakeley, 071-584-4009 for orders. Sunglasses by Armani, £97.



Morning sun: Cotton jersey swimsuit by Huit, £29.95, pendant, £18.95, bangle, £10.95, all from Fenwick, New Bond Street, London, W1. Man's linen shirt, £25 from Marks and Spencer. Viscose shorts by Ghost, £30 from Whistles, Way in at Harrods, Knightsbridge, SW1, Warehouse of Glasgow and Linneys of Derby. Hat from a selection at Harvey Nichols, Knightsbridge, SW1. Sunglasses by Armani, £115.



Lunch date: Linen jacket, £49.95, bangle £12.95, both from Fenwick. Swimsuit by Amanda Wakeley as above. Viscose/acetate crepe trousers, £119 from Jaeger. Belt by Osprey, £45 from Liberty, Regent Street, W1 and Selfridges, Oxford Street, W1. Roll-up paper hat with scarf, £50 from Herald and Heart, St Philip's Street, SW5. Sunglasses by Valentino, £92.

## Picked to be perfectly packed

Forget those struggles with big suitcases. Avril Groom knows how to travel with the minimum fuss and luggage



Heat of the day: Silk dress, £293.75 to order from The Gallery of Antique Costumes and Textiles, Church Street, NW8. Shirt from Marks and Spencer as above. Silk scarf by Anne Toomey, £25 from Marion Foale, Hinda Street, W1. Linen hat, £50 from Margaret Howell, Beauchamp Place, SW3, Brook Street, W1 and Liberty. Bracelet, £9.95 from Fenwick.



Afternoon in town: Polyester georgette shirt, £119 from Jaeger. Cotton/Lycra body, £14.99 from Jeffrey Rogers of Guilford and at The Plaza, Oxford Street, W1 and Whiteley, Baywater, W2. Crushed silk skirt, £85 from Whistles. Straw hat, £49 from Fenwick. Suede drawstring bag by Osprey, £39 from Liberty and Selfridges. Sunglasses by Yves St Laurent, £105.



Evening out: Silk crepe top, £80, and sarong skirt, £170, both from a selection at Margaret Howell. Cotton knit, £115 in the sale at Marion Foale. Silk chiffon scarf by Morgan and Oates, £75 from Harrods. Wooden beads, £22.95 from Fenwick.

PLAYING RAP music very loudly or encouraging Rover to yap all night might be efficient ways to annoy the neighbours, but there is nothing to beat smoking them out with a badly burning barbecue.

Clouds of acrid smoke supplemented by that evocative smell of vaporised fat from the chump chops is a sure-fire way of getting the occupants of No 20 in full retreat.

That this is a common occurrence has more to do with the quality of charcoal than the incompetence of the chef. Nearly all the 45,000 tonnes of charcoal imported into Britain each year is badly made and environmentally dodgy.

This is what the embryonic home-produced charcoal industry want us to believe and they are probably right.

The black lumps we buy to

## Secret of barbecue fires without smoke

Charcoal is the key ingredient for cook-outs. Peter Knight seeks a good piece of charred wood

fuel our summer cook-outs come mostly from developing countries in Africa, South America and the far East. The charcoal is made in the traditional way, either in a pit dug in the ground or in a huge mobile metal oven. Both methods allow the wood to burn slowly until only the charred remains are left.

Good charcoal should be about 90 per cent carbon. At that level it will not smoke because there is little, if any, wood left. Much of the imported charcoal is not much better than blackened wood and that is why it smokes.

Furthermore, the chances are that the charred lumps were originally a tropical hardwood or part of a mangrove swamp. This is hardly the fuel for the environmentally conscious 1990s, especially when the exporting nations rely mainly on wood-based fuels for their needy populations. Europe could make its own charcoal and in the process provide better management of its woods. This is specially true

of the UK which has the raw materials, the know-how and the demand. In some rural areas you can buy local charcoal - made in the traditional way - but there is not enough supply to meet the demand from large retailers, such as petrol stations and DIY stores.

Christopher Irwin wants to change this. He is a Suffolk farmer, in the timber business and regional secretary for the Timber Growers Organisation, which represents owners of private woods in the UK.

"Charcoal is the offal of logging. It is badly and wastefully produced from virgin forests in west Africa, South America and the far East. We've got the resources and the market here - why can't we put the two together?"

Irwin says the market for second quality home-grown hardwood - which was once used for mining and paper making - has disappeared. Mines no longer use the wood and the paper mill in Kent which used to consume most of the county's coppiced wood,

"IT'S AN INVITATION TO A VEGETARIAN BARBECUE WITH ENVIRONMENTALLY AWARE CHARCOAL."



has been converted to use waste paper.

"We've got huge areas of neglected woodlands in the UK and nothing positive is being done about it," he says.

Irwin wants to harvest the woods - as they were since the middle ages - and use the cuttings to make high-quality charcoal in an environmentally sound way. There would be enough, he says, to supply the

domestic market which is estimated to be growing at 5 per cent a year.

Plenty of people and organisations are enthusiastic. Farmers who own woods, which are now commercially worthless, like the idea. The Forestry Commission - the government agency in charge of the UK's state-owned woodlands - wants to see the woods pay their way. The World Wide

Fund for Nature supports the idea too.

Irwin's problem is how to keep the costs down. The wood has to be cut and transported. The charcoal has to be made in high-tech ovens equipped with the latest pollution-control equipment and then it has to be bagged in sizes suitable for the supermarkets.

When Irwin does his sums he finds that his costs are marginally higher than the imported product, mainly because the imports exclude the environmental costs. Nevertheless he is confident that his idea could work and he is building a pilot plant to prove it.

He might get some help from the supermarkets and DIY stores which constantly assure us of their environmental credentials.

The UK's biggest DIY chain, B&Q, is the most environmentally aware. Alan Knight, its environmental co-ordinator, says the store is committed to stock only timber from sustainable sources by 1995 and charcoal falls into that category.

B&Q gets its charcoal from Portugal where it is made from saw-mill off-cuts.

He says B&Q will consider a UK-made product. "But just because it has a Union Jack on it does not mean that it will be stocked. It has to be well produced and competitive in price."

Irwin is disdainful of the UK attitude towards the quality of charcoal. "The Germans, for

example, are very particular about their charcoal and they would never buy the sort of rubbish that the British buy."

The Germans have an official standard for charcoal and this helps shoppers choose good from bad. A similar standard should be available throughout the EC by the end of next year.

This should aid domestic producers if their quality is indeed superior to imports. A shift to better fuel will help some of the UK's depressed rural communities, produce better barbecues and certainly go some way to alleviate the discomfort of those poor smoked-out people at No 20.

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# Independent schools — FT 500

## A premier league starts to emerge

John Authers considers the latest A-level results and finds an unmistakable trend

**H**AD TEACHERS are always quick to assert that A-level league tables do not tell the whole story about a school's performance, and they are, of course, right.

However, the story they do tell is growing increasingly clear. For most independent schools, the FT now has data for the last six years. The tables on this page and the next show the rankings for each of 501 independent schools both for this year, and, where the figures are available, the average position for the previous five.

There is a marked and unmistakable trend at the top. Of this year's top ten, all but two were in the top ten averages for the previous five years. The only newcomers were Winton Girls School in Manchester, ninth with a previous average of 18th, and King's College School, London, which came tenth after a previous five-year average of 21st place.

The two to drop out of the top ten scarcely suffered serious falls from grace, with Haberdashers' Aske's, Borehamwood, now 12th, and Wycombe Abbey 16th.

Closer though the margins between different schools' results can often be, the league tables have revealed a hard core of consistent performers — a "Carling Premiership" of schools as one educationalist has put it.

A closer look at the schools which made it into the premier league does however cast some question over whether the exercise is measuring the quality of a school's tuition, or just its success in attracting able pupils.

The top ten this year include two internationally renowned and highly prestigious boys' boarding schools, Eton and Winchester, for both of which applications will always be high. The remaining eight are predominantly day schools, based in large conurbations, and therefore have a catchment area which enables them to select from a broad range of pupils.

Deciding between mixed and single-sex education involves more than academic criteria. But these results also seem to provide an academic argument for single-sex education — all but one school in the top thirty are single-sex up to the age of 16, using the FT's definition of single-sex schools (see footnotes to our top thirty table). Leicester Grammar School is the highest-placed fully coeducational school at 29th, although Westminster has a mixed sixth form.

John Trevis, schools consultant with the Gahabitas, the London-based educational consultancy, further points out that the few boarding schools among the top academic performers are unusual in that they have special houses for scholars, where the ablest pupils can feed off each other.

This calls into question the concept of "value for money". Schools such as St Paul's in London, top of the tree this year, may have excellent results, but it may not neces-



THE FT TOP THIRTY SCHOOLS

Rank	School	Town/County	5 yr rank	FT score	Passes/pupil	Boys/girls	Type
1	St Paul's School	Barnes, Greater London	4	1.55	3.5	B	Dy
2	Winchester College	Winchester, Hampshire	2	1.55	3.5	B	Bd
3	Westminster School	Westminster, Greater London	3	1.52	3.5	Bg	Dy
4	North London Collegiate	Edgware, Greater London	9	1.52	3.3	G	Dy
5	King Edward's School	Birmingham, West Midlands	1	1.50	3.4	B	Dy
6	Eton College	Windsor, Berkshire	5	1.48	3.5	B	Bd
7	St Paul's Girls' School	Hammersmith, Greater London	8	1.48	3.2	G	Dy
8	Manchester Grammar School	Manchester	6	1.48	3.1	B	Dy
9	Winton Girls School	Manchester	18	1.43	3.1	G	Dy
10	King's College School	Wimbledon, Greater London	21	1.43	3.4	B	Dy
11	Bradford Grammar School	Bradford, West Yorkshire	24	1.42	3.2	B	Dy
12	Haberdashers' Aske's School, The	Borehamwood, Hertfordshire	7	1.40	3.4	B	Dy
13	King Edward VI High School for G.	Birmingham, West Midlands	15	1.40	3.1	G	Dy
14	Guildford High School for Girls	Guildford, Surrey	76	1.40	3.1	G	Dy
15	Haberdashers' Aske's School for G.	Elstree, Hertfordshire	14	1.39	3.4	G	Dy
16	Wycombe Abbey School	High Wycombe, Buckinghamshire	10	1.38	3.2	G	Bd
17	Nottingham High School	Nottingham	42	1.38	3.1	B	Dy
18	South Hampstead High School	Hampstead, Greater London	31	1.38	3.3	G	Dy
19	St Albans High Girls School	St Albans, Hertfordshire	28	1.37	3.1	B	Dy
20	Godolphin & Latimer School, The	Hammersmith, Greater London	35	1.38	3.1	G	Bd
21	Tonbridge School	Tonbridge, Kent	11	1.36	3.3	B	Bd
22	Perse School, The	Cambridge	17	1.36	3.1	B	Dy
23	Portsmouth High School	Southsea, Hampshire	12	1.35	3.2	G	Dy
24	Royal Grammar School	Guildford, Surrey	13	1.35	3.1	B	Dy
25	City of London School	City of London, Greater London	37	1.35	3.2	B	Dy
26	Magdalen College School	Oxford	26	1.34	3.2	B	Dy
27	St Mary's School	Calne, Wiltshire	22	1.34	3.0	G	Bd
28	Merchant Taylors' School	Northwood, Greater London	88	1.33	3.1	B	Dy
29	Leicester Grammar School	Leicester	56	1.33	3.1	C	Dy
30	Lady Eleanor Holles School, The	Hampton, Greater London	50	1.32	3.4	G	Dy

B = at least 75% boys; Gg = boys schools with co-ed sixth form with at least 25% girls; G = at least 75% girls; C = at least 25% boys and at least 25% girls; Dy = at least 50% day pupils; Bd = at least 50% boarders

unfair. Compare this year's score with the average for the previous five, and you will find a remarkable degree of consistency. While this is most evident at the top, significant deviations are still rare lower down. A few significant jumps were recorded — for example Croydon High School came 32nd, compared

with a five-year rank of 103, and Francis Holland school, in Clarence Gate, near Regent's Park, London, leapt to 50th following an average placing of 229. Further down in the tables, Cobham Hall School, near Gravesend, Kent, rose to 194th from a previous average of 409th. Consistency in league tables has

been helped by the rigorous approach taken by the FT's statisticians, using data supplied by the Independent Schools Information Service. These tables are based on total UCCA points, which include both A-levels, and the new AS-levels ("Advanced Supplementary") which were introduced to add

breadth to sixth form curriculums, and are intended to be as difficult as A-levels, but with syllabuses only half the size.

By taking this approach, all grades achieved, not just As and Bs, are taken into account, giving a full picture of a school's academic strength. Schools which provide extra options such as AS levels will be credited.

General studies A-levels, offered by many schools as an extra option but often without any devoted tuition, has been derided by employers' organisations. It is usually ignored by university admissions tutors, and so it has been excluded from all the FT's calculations.

Schools with less than ten candidates in total have also been excluded, as these are likely to be highly specialist, while the grades achieved could lead to statistical distortions — as was shown by last year's government league tables for state schools which saw the tiny Scilly Isles in first place.

The FT has also aimed to avoid over-simplification by ranking schools using two separate scores — UCCA points per entry, and UCCA points per pupil.

The former gives the average grade in each exam taken, while the latter gives the total grades each pupil has on average accumulated.

Either could be argued to be preferable. The former can be manipulated by deliberately withdrawing pupils from A-levels where they do not seem likely to do well, while the latter rewards schools where pupils commonly take on more than the standard three subjects. League tables compiled using the

### HOW TO READ THE TABLES

Rank: all schools are ranked on a single scale from 1-501

5-year rank: based on an average of each school's results for 1988, 1989, 1990, 1991 and 1992

FT Score: 1.00 represents the average for all schools. Schools with a score of more than 1.00 achieved higher-than-average A-level results; those with a score of less than 1.00 achieved lower-than-average results.

UCCA points: based on the UCCA system. For A-levels: grade A = 10 points; grade B = 8; grade C = 6; grade D = 4; grade E = 2. For AS-levels: grade A = 5; grade B = 4; grade C = 3; grade D = 2; grade E = 1.

Rankings and scores are all based on an average of a school's UCCA points per entry and its UCCA points per pupil, which have been equally weighted. All details are provisional and subject to correction by the Independent Schools Advisory Service.

two measures would be different, as a glance down the columns headed UCCA points per entry and UCCA points per pupil show. Instead the two have been combined to give the ranking score.

As the bald ranking can unfairly accentuate what are otherwise marginal differences between schools' results, the figure in the second column gives an "FT score" which shows by how much a school has varied from the norm. This is calculated so that an average school will score exactly 1.00. This was achieved by the schools ranked from 263 to 359, and is equivalent to roughly 18 UCCA points, or three Cs per pupil.

A more profound problem is whether A-level grades themselves are the true "gold standard" of educational excellence which many teachers and university admissions tutors assume.

Difficulties with university entrance this year, and wide discrepancies in the grades awarded by different A-level examining boards, have brought serious questioning of the A-level system for the first time.

In Scotland, most schools prefer to do the broader Scottish

"Highers" rather than A-levels —

which is why only two Scottish

schools appear in the table.

Further education colleges in the

state system have reported significant

increases in demand for new

"vocational A-levels", in which

some exams will be replaced by

work experience and coursework. In

the independent sector, International

Baccalaureate is also gaining in

popularity.

Sevenoaks School, in Kent, has

been in the forefront of introducing

the IB, which forces pupils to do a

broader range of subjects, and has

wider international recognition.

Richard Parker, Sevenoaks' head-

master, believes that the IB allows

greater diversity, and the ablest

pupils are encouraged to take it. IB

candidates account for the majority

of the school's Oxbridge entrants

this year. The school's figures in

the table have been derived using a

complicated formula to convert IB

results into an A-level UCCA points

equivalent.

### Independent Schools 1993 'A' Level Results

Rank	School	Town	5-yr rank	FT score	Passes/pupil	UCCA points/entry	UCCA points/pupil
74	Badminton School	Bristol	77	1.23	3.1	7.1	22.8
57	Bath High School	Bath	137	1.25	3.1	7.4	22.8
327	Bristol Cathedral School	Bristol	259	0.92	2.3	5.4	16.5
94	Bristol Grammar School	Bristol	113	1.20	2.8	7.2	21.5
181	Clifton College	Bristol	186	1.09	2.9	6.4	18.8
170	Clifton High School	Bristol	218	1.10	2.8	6.5	20.0
377	Colston's Collegiate School	Bristol	400	0.85	2.4	5.2	14.8
222	Colston's Girls' School	Bristol	318	1.05	2.7	6.5	18.2
213	Downside School	Bath	240	1.06	2.8	6.3	18.0
163	King Edward's School	Bath	140	1.11	2.8	6.7	18.8
355	Kingwood School	Bath	272	0.98	2.7	5.2	16.0
328	Monkton Combe School	Nr. Bath	269	0.92	2.8	5.6	16.3
304	Prior Park College	Bath	318	0.96	2.7	5.7	17.2
154	Queen Elizabeth's Hospital	Bristol	165	1.13	3.0	6.5	21.0
145	Rad Mads' School	Bristol	115	1.15	2.9	6.8	20.8
183	Redland High School	Bristol	182	1.09	2.8	6.5	19.7
341	Sidcot School	Wincobme	379	0.90	2.6	5.4	16.1
County Average				1.05	2.8	6.2	16.9
296	Bedford High School	Bedford	207	0.97	2.7	5.8	17.2
228	Bedford Modern School	Bedford	125	1.04	3.0	6.0	19.5
166	Bedford School	Bedford	151	1.11	2.9	6.5	20.0
278	Dame Alice Harpur School, The	Bedford	293	0.99	2.7	5.0	17.8
County Average				1.02	2.8	6.1	18.5
33	Abbey School, The	Reading	36	1.31	3.3	7.5	24.8
477	Beaumont College	Wokingham	471	0.62	1.8	3.8	10.8
230	Bradfield College	Reading	220	1.04	2.7	6.3	18.4
451	Brighthelm School, The	Windsor	420	0.83	2.0	3.3	9.0
389	Douai School	Reading	255	0.86	2.5	5.0	15.8
83	Downe House	Newbury	75	1.22	3.1	7.2	22.3
8	Eton College	Windsor	5	1.48	3.5	8.3	28.2
333	Heathfield School	Ascot	276	0.91	3.3	5.1	17.3
263	Leighton Park School	Reading	321	0.98	2.9	5.7	18.2
468	Licetwood Vicarage School	Ascot	466	0.66	2.1	4.1	11.5
442	Luxley-Oldfield School	Wokingham	383	0.72	2.0	4.8	11.8
158	Oratory School, The	Nr. Reading	415	0.69	2.4	4.2	12.4
374	Pangbourne College	Reading	415	0.69	2.4	4.2	12.4
374	Presentation College	Reading	242	0.86	2.8	5.1	15.2
108	Queen Anne's School	Reading	141	1.18	3.1	6.8	21.8
318	Reading Blue Coat School	Reading	271	0.93	2.8	5.5	18.3
253	St. George's School	Ascot	192	1.02	2.9	6.1	18.3
436	St. Joseph's Convent School	Reading	378	0.74	2.4	4.7	12.7
48	St. Mary's School	South Ascot	54	1.27	3.0	7.8	23.0
88	Wellington College	Crowthorne	59	1.22	3.2	7.0	22.8
County Average				0.96	2.7	5.7	17.5
480	Bury Lawn School	Milton Keynes	478	0.63	2.3	3.7	10.5
440	Pipers Corner School	High Wycombe	N/A	0.73	2.2	4.9	11.4
476	St. Mary's School	Garrards Cross	455	0.62	2.1	4.1	8.8
234	Stowe School	Buckingham	264	1.03	2.8	6.3	18.4
16	Wycombe Abbey School	High Wycombe	10	1.39	3.1	8.0	25.7
County Average				0.87	2.5	5.4	15.1

### Independent Schools 1993 'A' Level Results

Rank	School	Town	5-yr rank	FT score	Passes/pupil	UCCA points/entry	UCCA points/pupil
Cambridgeshire							
243	Kimbolton School	Huntingdon	252	1.02	2.8	8.1	18.3
251	King's School	Ely	286	1.02	3.5	6.8	18.0
224	Lays School, The	Cambridge	196	1.05	2.7	6.3	18.7
41	Perse School for Girls	Cambridge	38	1.28	3.1	7.5	23.7
22	Perse School, The	Cambridge	17	1.36	3.0	7.9	24.9
396	Peterborough High School	Peterborough	407	0.82	2.5	5.0	14.5
236	St. Mary's School	Cambridge	171	1.03	2.8	6.2	18.4
355	Wisbech Grammar School	Wisbech	323	0.87	2.8	5.2	15.6
County Average				1.05	2.9	6.2	18.1
Channel Islands							
208	Elizabeth College	Guernsey	146	1.06	2.7	6.3	18.1
303	Ladies College	Guernsey	133	0.96	2.7	5.7	17.1
County Average				1.01	2.8	6.0	18.1
Cheshire							
362	Abbey Gate College	Chester	370	0.87	2.5	5.3	15.2
138	Cheadle Hulme School	Chester	145	1.15	2.8	6.8	20.8
58	Grange School, The	Northwich	149	1.25	2.8	7.5	22.6
52	King's School	Chester	18	1.27	3.1	7.4	23.4
278	King's School, The	Macclesfield	189	0.99	2.6	5.9	17.8
294	Mount Carmel Convent	Alderley Edge	332	0.88	2.4	5.4	15.4
437	North Cheshire Grammar	Altrincham	441	0.74	2.2	4.5	12.6
44	Queen's School, The	Chester	20	1.29	3.1	7.5	23.4
325	St. Ambrose College	Altrincham	358	0.82	2.5	5.5	16.8
373	St. Hilary's School	Alderley Edge	443	0.85	2.5	5.1	15.1
152	Stockport Grammar School	Stockport	102	1.13	2.7	6.8	20.3
County Average				1.03	2.7	6.1	18.5
Cleveland							
134	Teesdale High School for Girls	Stockton-on-Tees	265	1.18	3.0	6.7	21.3
249	Yarm School	Yarm	225	1.02	3.1	5.9	19.0
County Average				1.08	3.0	6.3	20.1
Cornwall							
334	Truro High School for Girls	Truro	261	0.81	2.8	5.4	16.3
189	Truro School	Truro	205	1.08	2.8	6.5	19.5
County Average				0.99	2.8	5.9	17.9
Cumbria							
317	Austin Friars School	Carlisle	296	0.93	2.5	5.8	16.7
148	Casterton School	Kirkby Lonsdale	138	1.14	2.8	7.1	19.8
324	Sedburgh School	Sedburgh	236	0.82	3.0	5.3	17.1
386	St. Anne's School	Windermere	253	0.84	2.3	5.2	14.5
323	St. Bees School	St. Bees	305	0.92	2.5	5.8	16.5
County Average				0.95	2.7	5.7	16.8
Derbyshire							
87	Derby High School	Derby	287	1.22	2.8	7.4	21.4
415	Mount St. Mary's College	Via Sheffield	419	0.79	2.8	4.6	14.1
444	Ockbrook School	Nr. Derby	377	0.72	2.1	4.5	12.9
187	Pepton School	Derby	98	1.07	3.2	6.1	20.1
211	St. Ephraim's School	Matlock	412	1.06	2.8	6.4	19.9
284	Trent College	Nottingham	163	0.98	2.8	6.8	17.7
County Average				0.87	2.7	5.8	17.4



# Independent schools — FT 500

## Independent Schools 1993 'A' Level Results

Rank	School	Town	5-yr rank	FT score	Passes/entry	UCAS points/entry	UCAS points/pupil
246	Cheltenham College	Cheltenham	99	1.02	2.8	6.0	18.6
42	Cheltenham Ladies' College	Cheltenham	32	1.29	3.0	7.8	22.4
186	Dean Close School	Cheltenham	184	1.08	8.4	6.1	20.8
250	King's School	Gloucester	333	1.02	2.9	6.1	18.4
307	Rendcomb College	Gloucester	337	0.85	2.8	5.9	18.8
489	Selwyn School	Gloucester	474	0.54	1.6	3.5	6.1
472	St. Clotilde's School	Gloucester	433	0.85	2.1	4.1	10.9
414	St. Edward's School	Latchford Manor	368	0.78	2.5	5.0	12.9
408	Westonbirt School	Cheltenham	429	0.80	2.9	4.7	14.5
232	Wycliffe College	Stonehouse	324	1.04	2.6	6.1	18.8
County Average							
				0.81	2.7	5.5	18.3

Rank	School	Town	5-yr rank	FT score	Passes/entry	UCAS points/entry	UCAS points/pupil
200	Alley's School	London	208	1.07	3.0	6.2	18.8
486	Boston School	Bromley	308	0.57	0.7	8.4	10.0
178	Blackheath High School	London	175	1.09	2.7	8.8	18.3
106	Channing School	London	88	1.18	2.6	7.1	21.3
25	City of London School	London	37	1.35	3.1	7.8	24.8
76	City of London School for Girls	London	53	1.23	2.8	7.3	22.4
203	Colfe's School	London	292	1.07	3.1	6.3	18.5
236	Graham Hurst School	London	279	1.03	2.7	6.4	17.7
32	Croydon High School	South Croydon	103	1.31	3.3	7.6	24.1
82	Dulwich College	London	45	1.25	3.0	7.2	23.1
59	Ethel College	London	30	1.25	3.1	7.2	23.3
449	Erasmus School	London	402	0.70	2.1	4.3	12.4
248	Forest School	London	200	1.02	2.9	6.0	18.7
50	Francis Holland Clarence Gate	London	229	1.27	3.1	7.5	23.0
344	Francis Holland School	London	241	0.80	2.5	5.8	15.3
20	Godolphin & Latymer	London	35	1.39	3.1	8.0	24.6
396	Hallfield School	Shepperton	468	0.82	2.4	4.9	14.6
118	Hampton School	Hampton	118	1.17	3.5	6.4	22.8
31	Harrow School	Harrow on the Hill	74	1.31	8.0	7.8	23.7
288	Hatfield School	Pinner	258	0.88	2.8	5.8	17.5
53	Higginbotham School	Ilford	158	1.26	3.0	7.4	23.1
353	Ilford Ursula High School	Ilford	322	0.88	2.8	5.4	15.3
37	James Allen's Girls' School	Harrow	38	1.29	3.1	7.6	23.5
270	John Lyon School	Harrow	23	0.98	2.8	5.8	18.0
337	King Alfred School	London	307	0.91	2.7	5.5	18.0
10	King's College School	London	21	1.43	3.3	8.1	26.8
223	Kingston Grammar School	Kingston upon Thames	191	1.05	2.7	6.2	19.0
30	Lady Eleanor Hall School	Hampton	50	1.32	3.4	7.8	24.6
84	Latymer Upper School	London	111	1.25	3.0	7.4	22.7
29	Leamington School	Northwood	88	1.33	3.0	7.9	24.3
288	Mill Hill School	London	221	1.00	2.8	6.8	18.0
220	Mons House School	London	144	1.05	2.4	8.4	18.4
381	Mourm School	London	391	0.84	2.5	5.0	15.2
4	North London Collegiate	Edgware	8	1.52	3.3	8.8	28.3
285	Northwood College	Northwood	231	0.98	2.7	5.9	17.5
140	Notting Hill & Ealing High	London	107	1.15	2.9	8.8	20.8
72	Old Palace School	Croydon	70	1.23	3.1	7.3	22.5
274	Purcell School of Music	Harrow on the Hill	237	0.98	2.0	8.8	15.2
129	Putney High School	London	121	1.18	2.8	6.8	20.8
325	Queen's College London	London	314	0.91	2.7	5.5	16.2
289	Queen's Gate School	London	327	0.82	2.3	5.2	13.7
441	Royal Russell School	Croydon	439	0.78	2.5	4.3	18.0
18	South Hampstead High School	London	31	1.38	3.2	8.0	25.5
257	St. Benedict's School	London	335	1.01	2.7	6.0	18.4
348	St. Dunstan's College	London	289	0.89	2.6	5.3	18.0
86	St. Helen's School	Northwood	104	1.22	3.0	7.3	21.9
142	St. James Independent Boys	London	427	1.15	3.0	6.9	20.5
244	St. James Independent Girls	London	413	1.02	2.8	6.8	17.1
7	St. Paul's Girls' School	London	8	1.48	3.1	8.8	27.3
1	St. Paul's School	London	4	1.55	3.5	8.7	29.4
410	Stratford House	Bromley	315	0.79	2.3	4.8	13.9
273	Stratford Hill School	London	290	0.93	2.7	6.0	17.5
182	Sutton High School	Kingston upon Thames	167	1.18	2.8	6.8	21.1
182	Sutton High School	Sutton	128	1.08	3.0	8.4	19.8
308	Sydenham High School	London	346	0.95	2.6	5.8	16.8
185	Trinity School	Croydon	80	1.08	2.9	8.3	20.8
45	University College School	London	19	1.28	3.0	7.5	23.8
3	Westminster School	London	3	1.52	3.5	8.5	29.3
78	Whitgift School	South Croydon	52	1.23	3.1	7.1	22.9
54	Wimbledon High School	London	64	1.26	3.0	7.4	22.9
County Average							
				1.11	2.9	6.8	20.2

Rank	School	Town	5-yr rank	FT score	Passes/entry	UCAS points/entry	UCAS points/pupil
411	Cheltenham School of Music	Manchester	139	1.15	2.5	7.5	19.3
8	Manchester Grammar School	Manchester	8	1.48	3.1	8.8	26.5
82	Manchester High Girls	Manchester	46	1.22	3.1	7.1	22.5
313	St. Bede's College	Manchester	341	0.95	2.7	5.7	17.0
318	William Hulme's Grammar	Manchester	302	0.83	2.7	5.5	16.8
8	Warrington Girls School	Manchester	18	1.43	3.1	8.4	26.2
County Average							
				1.19	2.9	7.1	21.3

Rank	School	Town	5-yr rank	FT score	Passes/entry	UCAS points/entry	UCAS points/pupil
412	Althorpe School	Southampton	385	0.78	2.5	4.8	13.8
150	Bodley School	Petersfield	65	1.14	3.1	6.7	20.9
352	Church's College	Petersfield	239	0.88	2.7	5.4	15.4
488	Embley Park School	Romsey	487	0.55	1.9	3.5	9.3
158	Farnborough Hill	Farnborough	215	1.12	2.7	7.0	19.4
120	King Edward VI School	Southampton	40	1.17	3.0	6.9	21.2
164	Lord Wandsworth College	nr.Basingstoke	320	1.11	2.9	8.8	20.1
316	North Foreland Lodge	Basingstoke	124	0.94	2.8	5.8	18.5
51	Portsmouth Grammar	Portsmouth	63	1.27	3.0	7.3	22.4
23	Portsmouth High School	Southsea	12	1.35	3.2	7.9	25.0
363	St. John's College	Portsmouth	340	0.87	2.5	5.2	15.7
422	St. Nicholas' School	Portsmouth	308	0.75	2.3	4.7	13.0
155	St. Swithin's School	Winchester	55	1.13	2.8	6.8	20.1
501	St. Vincent's School	Romsey	489	0.89	2.8	6.1	17.5
2	Winchester College	Winchester	2	1.55	3.5	8.7	29.5
County Average							
				0.99	2.8	5.9	17.8

Rank	School	Town	5-yr rank	FT score	Passes/entry	UCAS points/entry	UCAS points/pupil
136	Alice Otley School	Worcester	190	1.15	2.9	6.9	20.7
439	Belford Abbey School	Hereford	386	0.73	2.2	4.5	12.8
361	Bromsgrove School	Bromsgrove	282	0.87	2.8	5.3	15.5
190	Hereford Cathedral School	Hereford	179	1.08	2.8	8.3	18.9
161	King's School	Worcester	95	1.11	3.0	6.8	20.3
483	Lawrence School	Great Malvern	473	0.59	2.2	4.0	8.8
157	Malvern College	Malvern	92	1.12	3.1	6.8	20.6
56	Malvern Girls College	Malvern	33	1.25	3.1	7.4	22.8
394	R.N.I.B. New College	Worcester	275	0.82	2.3	5.1	14.4
104	Royal Grammar School	West Malvern	129	1.19	3.3	8.7	22.6
443	St. James's and The Abbey	Worcester	408	0.72	2.4	4.3	13.0
119	St. Mary's Convent School	Worcester	311	1.17	3.0	7.0	21.2
County Average							
				0.98	2.8	5.8	17.7

Rank	School	Town	5-yr rank	FT score	Passes/entry	UCAS points/entry	UCAS points/pupil
462	Alkenham School	Elstree	430	0.67	2.5	4.0	12.2
247	Berkhamsted School	Berkhamsted	132	1.02	3.0	5.9	18.8
75	Berkhamsted School for Girls	Berkhamsted	78	1.23	2.8	7.5	21.7
269	Bishop's Stortford College	Bishop's Stortford	213	1.00	2.7	8.0	17.9
12	Haberdaish's Aske's	Borehamwood	7	1.40	3.3	7.9	26.7
15	Haberdaish's Aske's Girls	Elstree	14	1.39	3.3	8.0	26.0
126	Haileybury	Haileybury	106	1.16	8.0	8.8	21.0
382	Princess Helena College	Hatfield	188	0.84	2.7	5.0	15.3
204	Queenswood School	Hatfield	211	1.07	3.2	6.3	18.4
367	Rickmansworth Masonic	Rickmansworth	446	0.88	2.4	5.5	15.0
500	Sharnbrook School	Welwyn Garden City	472	0.93	1.5	2.1	5.6
19	St. Albans High Girls	St. Albans	26	1.37	3.1	8.1	24.7
168	St. Albans School	St. Albans	159	1.11	3.1	6.4	20.8
343	St. Edmund's College	Letchworth	344	0.90	2.8	5.4	15.9
403	St. Francis' School	Letchworth	363	0.81	2.7	4.8	14.6
332	St. Francis' School	Letchworth	358	0.91	2.4	5.6	18.1
431	St. Margaret's School	Bushy	282	0.75	2.4	4.8	13.1
County Average							
				0.99	2.8	5.8	17.9

Rank	School	Town	5-yr rank	FT score	Passes/entry	UCAS points/entry	UCAS points/pupil
495	Hull Grammar School	Kingston upon Hull	N/A	0.47	1.8	2.8	8.8
153	Hull High School	Kingston upon Hull	230	1.13	2.9	6.8	20.1
206	Hymers College	Hull	152	1.08	2.9	6.2	18.6
388	Pocklington School	York	274	0.83	2.7	4.8	15.4
County Average							
				0.87	2.6	5.1	15.8

Rank	School	Town	5-yr rank	FT score	Passes/entry	UCAS points/entry	UCAS points/pupil
305	King Wilsam's College	Isle of Man	331	0.96	2.7	5.8	17.0
County Average							
				0.88	2.6	5.8	17.0

Rank	School	Town	5-yr rank	FT score	Passes/entry	UCAS points/entry	UCAS points/pupil
492	Brimbridge School	Isle of Wight	457	0.53	2.5	3.1	9.5
359	Ryde School	Ryde	254	0.67	2.7	5.2	15.9
426	Upper Chine School	Sharncliffe	459	0.76	2.6	4.4	14.1
County Average							
				0.72	2.6	4.2	13.1

## Independent Schools 1993 'A' Level Results

Rank	School	Town	5-yr rank	FT score	Passes/ pupil	UCGA points/ entry	UCGA points/ pupil
Kent							
202	Ashford School	Ashford	189	1.07	2.9	6.4	19.1
422	Bedgebury School	Cranebrook	482	0.77	2.1	5.0	12.5
351	Beechwood Sacred Heart	Tunbridge Wells	342	0.88	2.8	5.2	16.2
39	Benenden School	Cranebrook	108	1.29	3.2	7.5	23.6
484	Bethany School	Cranebrook	461	0.58	2.2	3.5	10.1
180	Bromley High School	Bromley	204	1.12	2.7	6.8	18.7
184	Cobham Hall School	Nr. Gravesend	409	1.08	3.1	5.9	21.0
420	Combe Bank School	Nr. Sevenoaks	369	0.77	2.5	4.8	13.1
433	Dover College	Dover	410	0.75	2.3	4.7	12.9
455	Duke of York's Royal Military	Dover	172	0.69	2.4	4.8	12.5
387	Farringham School	Chislehurst	467	0.83	2.8	4.8	15.6
231	Holy Trinity College	Bromley	351	1.04	2.8	6.4	16.1
306	Kent College	Canterbury	153	0.95	3.0	5.6	17.5
175	Kent College Pembury	Pembury	369	1.10	2.9	6.6	19.7
40	King's School	Canterbury	34	1.29	3.4	7.3	24.3
81	King's School	Rochester	270	0.99	2.8	5.6	17.3
311	Sevenoaks School	Sevenoaks	112	1.22	2.9	7.3	22.2
473	St. Augustine's College	Wargate-on-Sea	431	0.85	2.4	3.6	11.8
329	St. Edmund's School	Canterbury	317	0.92	2.4	5.6	16.1
233	St. Lawrence College	Ramsgate	244	1.04	2.8	6.2	18.7
340	Sutton Valence School	Maldenstone	451	0.90	2.7	5.4	16.2
21	Tonbridge School	Tonbridge	11	1.36	3.2	7.8	26.4
309	Ursuline Convent School	Wargate-on-Sea	350	0.65	2.7	5.7	17.1
200	Walthamstow Hall	Sevenoaks	155	1.06	2.8	6.4	18.9
312	West Heath School	Sevenoaks	447	0.95	2.8	5.7	17.1
County Average				0.96	2.7	5.7	17.4



## TRAVEL

## Puffins and polecats – at home in Wales

A STRANGE and mournful wail filtered up from beneath our feet as if some lost soul was crying in despair from the depths of the earth. The only light came from the flickering flames on the dark horizon and a slight glow from the stars as we stumbled forward. Something flopped away from us, struggling over the uneven grass like a grounded spirit of the night.

Black and white, with wings outstretched, it made pathetic but vain attempts to take to the air. No effort was required to catch the bird, as I lifted it skywards, it spread its long wings and, returned to its true element, glided away with ease.

It was a Manx shearwater, a short-term occupant of one of the old rabbit holes on Skomer Island off the Pembrokeshire coast, in

gannet colonies in the northern hemisphere.

Ramsey Island, off St David's Head, has been purchased recently by the Royal Society for the Protection of Birds. A number of rare birds nest there including peregrine falcons; there is also a large grey seal colony and a herd of red deer. Also noted for its birds is Bardsey, accessible by boat from Pwllheli, which has its own bird and field observatory.

All these islands, along with Anglesey and various headlands on the Welsh coast, are good spots from which to watch for passing cetaceans, although less-dedicated whale watchers might have more luck with the resident bottle-nosed dolphins which live in Cardigan Bay and can be seen off New Quay Head.

In less rocky areas there are out-



Snowdon: a magnificent backdrop to the north Wales coastline. On its exposed tops you can find dwarf willow and reindeer moss

*Islands, estuaries, Snowdonia. Michael J. Woods describes the wildlife of Wales, from cetaceans to the red kite*

Wales. More than 100,000 come here every spring to nest in the shelter of their underground bunkers, safe from the predatory intentions of gulls.

Flying aces, they glide over the stormy oceans with grace, dipping an occasional wing-tip in the water as if to belittle its power. On land they are all but helpless, staying hidden under ground during the day and only venturing out under cover of darkness. Their half-eaten corpses strewn on the rabbit-cropped turf, particularly around full moon, tell of a successful night's hunting for the gulls.

In spite of the proximity of Milford Haven and the burning beacons of its oil refineries, Skomer is a diamond in the Welsh wildlife crown. In addition to shearwaters, it has large colonies of nesting seabirds including puffins and guillemots. Choughs swirl around its cliffs while short-eared owls hunt its special Skomer voles. Skomer is also one of the most important breeding sites for grey seals in southern Britain: about 100 pups are born there every autumn.

Wales is well-blessed with wildlife islands. Further offshore from Skomer is Skokholm, which has storm petrels as well as many of Skomer's species; even more remote Grassholm supports one of the largest

standing examples of salt marshes and estuaries of national and international importance around the Welsh coast, notably the Loughor estuary north of the Gower peninsula, the Cleddau, the Dovey and the Dee, Conway and Taff. The last three are under considerable pressure from development, and the main wildlife interest of the Taff estuary is likely to disappear if the Cardiff Bay barrage is constructed as planned.

All have large populations of wildfowl, especially in the winter when they are important feeding grounds for significant flocks of waders such as godwit, redshank and oystercatcher, and ducks like pintail, widgeon and goldeneye.

More picturesque than mudflats at low tide are the sandy beaches and their flower-rich dunes which are found, notably, around the Gower and nearby Kenfig and at Newborough Warren on Anglesey. Fine orchids grow in these unlikely places, including the southern marsh bellflower and green-winged orchid. If it is an unusual beach you want, then try Shell Island south of Harlech where the empty shells of more than 70 different crustaceans may be found.

The Snowdon massif makes a magnificent backdrop to this area

and the summits of these, the highest mountains in Wales, have a flora that dates from the last Ice Age. On the most exposed tops you can find dwarf willow and reindeer moss, while in sheltered spots are other Arctic-alpine species including cushions of purple saxifrage, mountain avens, Snowdon lilies and globe flowers.

On the slightly lower slopes are sheets of heather which support both black and red grouse. The latter, startled by your approach, cries out "Go back, go back" as it leaps into the air and glides away. In river gorges you may spot a ring ousel, a shy relative of the pole-

cat, a small, berring-like fish - an Ice Age remnant - which occurs only in Bala lake.

Unlike Bala lake, many of Wales' inland waters are man-made, tapping into the high rainfall of this

hilly country to bring water to drier parts of Britain. Some of these reservoirs, especially in the Elan Valley and at Llyn Brianne, appear to be strongholds for the red kite. A success story for the work of the RSPB, the red kite has made a significant return, particularly in the past decade. While the RSPB's Dinas and Gwentfryn reserves is the main centre for these birds, they range widely, and seeing one is a matter of keeping your eyes peeled for a fine chestnut bird with a forked tail.

There are good chances of seeing otters in Wales, both on lakes and in rivers, while its relative, the polecat, is a Welsh speciality. This fer-

ret-sized creature was persecuted to extinction in England, but has been hiding out in the Brecon Beacons and Tregaron Bog, a notable national nature reserve, and is now making successful incursions into its old haunts in the English west midlands.

Countdown Council for Wales, tel: 0248-370444. The Welsh office of the Royal Society for the Protection of Birds (0686-626678) can tell you how to reach Ramsey Island and other reserves. The Brecknock Wildlife Trust runs weekend country breaks that include badger watching, looking for otters and spotting red kites (0874-625708.)

■ To stay on Skomer or Skokholm islands you must book through the Dyfed Wildlife Trust (0437-765462). To reach Skokholm and Skomer, book a place with the Dale Sailing Company (0646-601636). Day trips to Skokholm can be booked in advance through any national park tourist information centre. Thousand Islands Expeditions runs exciting trips around Ramsey in large inflatables (0437-721636).

■ Just published in paperback: *The Summits of Snowdonia* by Terry Marsh, a guide to all the 600-metre summits in Snowdonia national park and the Berwyn Hills which straddle the park boundary. (Robert Hale, £6.99).

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## Art deco at the end of the earth

GO TO the end of the earth, turn east, and what do you find? Answer: a gem of a collection of art deco buildings.

Napier, a city of 50,000 or so on the east coast of the North Island of New Zealand, is the home of a remarkable example of town planning: half-a-dozen blocks, most of its commercial heart, built at the same time and in the same style - a Bath for the 20th century.

There is a melancholy reason for this. Early this century, Napier was a Brightonsque seaside resort, noted for its bracing sea air and its long marine parade looking out towards the well. Chile is the next stop. Its buildings were characteristically Victorian: several storeys high, lined with fretwork verandas.

Then on February 3 1931, the region was struck by an earthquake. In effect, the whole country is a fault line rising from the Pacific, but this was by far the deadliest of its many quakes. 7.9 on the Richter scale. The death toll was 286 and the subsequent fires razed the middle of Napier.

So it all had to be rebuilt at once, and the city fathers decided that the new art deco look was the one best suited to a community trying to overcome tragedy and turn firmly towards the future. It was not the only style used - you can see hints of classical, Spanish mission (the main influence in the rebuilding of nearby Hastings) and Frank Lloyd Wright - but it was the main one, and Napier is clearly, as it claims, Art Deco City.

The architects - Louis Hay, a Wright devotee, and E A Williams were the busiest of them - learnt lessons from the disaster. Buildings were to be low-rise, with less masonry to fall on passers-by; two storeys is standard. Services went underground.

Many of the street-level shopfronts have been renovated, but turn your eyes up and the city's uniqueness becomes apparent. Everywhere you look you see the straight lines and sharp angles of art deco.

Typical decorations involve sunbursts, chevrons, zigzags, even stylised Maori motifs. Most have been sympathetically painted in soft pastels, standing out against the bright blue sky.

The best are to be found on the Countrywide Bank and the Daily Telegraph buildings, in pinks and oranges, the latter looking vaguely Egyptian, and on the Midland hotel, with a long, low, almost flat facade. But there are lots of small shops and offices, their architects often unknown, which go together to make up this unique cityscape.

**John Westbrooke visits New Zealand's answer to Bath**

Europeans often think of art deco as an art form of the north. It was first unveiled at the International Exposition of Modern Decorative and Industrial Arts in Paris in 1925. But it has flourished best in the sun: fine collections of apartments and shops are on show in Miami and Los Angeles.

Napier's collection is not as big as those, but it is notably compact: half-an-hour's stroll will take you past most of it. Oddly, it was only a decade ago that the locals realised just how unusual their town was. By this time, some buildings had already been pulled down, a process which is still occasionally going on, though today's replacements usually make a feeble attempt at the art deco look themselves. Since then, books and TV programmes have alerted New Zealanders to the value of Napier.

Visitors can take guided tours of the town, while the museum offers audio-visual displays about the 'quake of '31. Information from Art Deco Trust, PO Box 248, Napier. Art Deco Napier, by Peter Shaw and Peter Hall (Cosmos Publications, Napier, NZ\$26.95), is a short, well-illustrated guide to the town's treasures.

01520 41114



**S**TALIN and Mao never trusted one another, even when China and the Soviet Union were allies. So their plan to link China and the Soviet Union by rail through central Asia was never realised.

To travel on the Urumqi-Alma Ata express, our first step was to

The carriages were smartly painted in green with yellow clover-leaf friezes. According to the

Our neighbours in the next com-

Soviet alliance. She had not spoken or read the language for years, and now she was eager to brush away the cobwebs and start again. With this in mind she helped us

The border crossing from China to Kazakhstan was an elaborate affair. Mercifully, it took place at night, so we slept through most of it. There was much humping and grinding as the carriages were adjusted to the broad Russian

The carriage attendant beamed, but looked wary when we asked him to recommend a good hotel. How was he to deal with such innocents at large? He probably wanted

Urumqi is the Holiday Inn, which can be booked through CITS or direct, tel: (0991)-218788, fax: -217077. There are several large hotels in Alma Ata. We stayed at the Hotel Otrar. Hotel bookings as well as bookings for internal Aero-Flot flights.

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20.	Highbullen Country House Hotel	7
21.	Port Light Hotel	7
22.	The Cally Palace Hotel	0
23.	The Calkie Manor	0
24.	The Tides Reach	7
25.	The Bedford Hotel	7
26.	Rohrsdorf Castle	0
27.	The Clifton Hotel	7
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## BOOKS

**R**ONALD Paulson's biography of Hogarth appeared originally in two volumes in 1971. In the intervening 22 years much further research on Hogarth and his period has been accomplished. Not least by Paulson himself, who is Professor of Humanities at Johns Hopkins University in Baltimore. Constantly widening his already encyclopaedic knowledge of this artist, Paulson arrived some time ago at a point where he has moved to cover the whole range again. He was especially enlightened by spending a week at the Tate scrutinising the Hogarths in the exhibition of 1971 before it opened.

In 1991 Paulson published the first volume of a greatly revised biography, *Hogarth: The Modern Moral Subject, 1697-1732* (Lutterworth Press £35) and in 1992 the second, *Hogarth: High Art and Low, 1732-1790* (Lutterworth Press £35). With the appearance of this final volume, Paulson sets the seal on a major work of scholarship that includes both interpretation of all the works and biographical narrative.

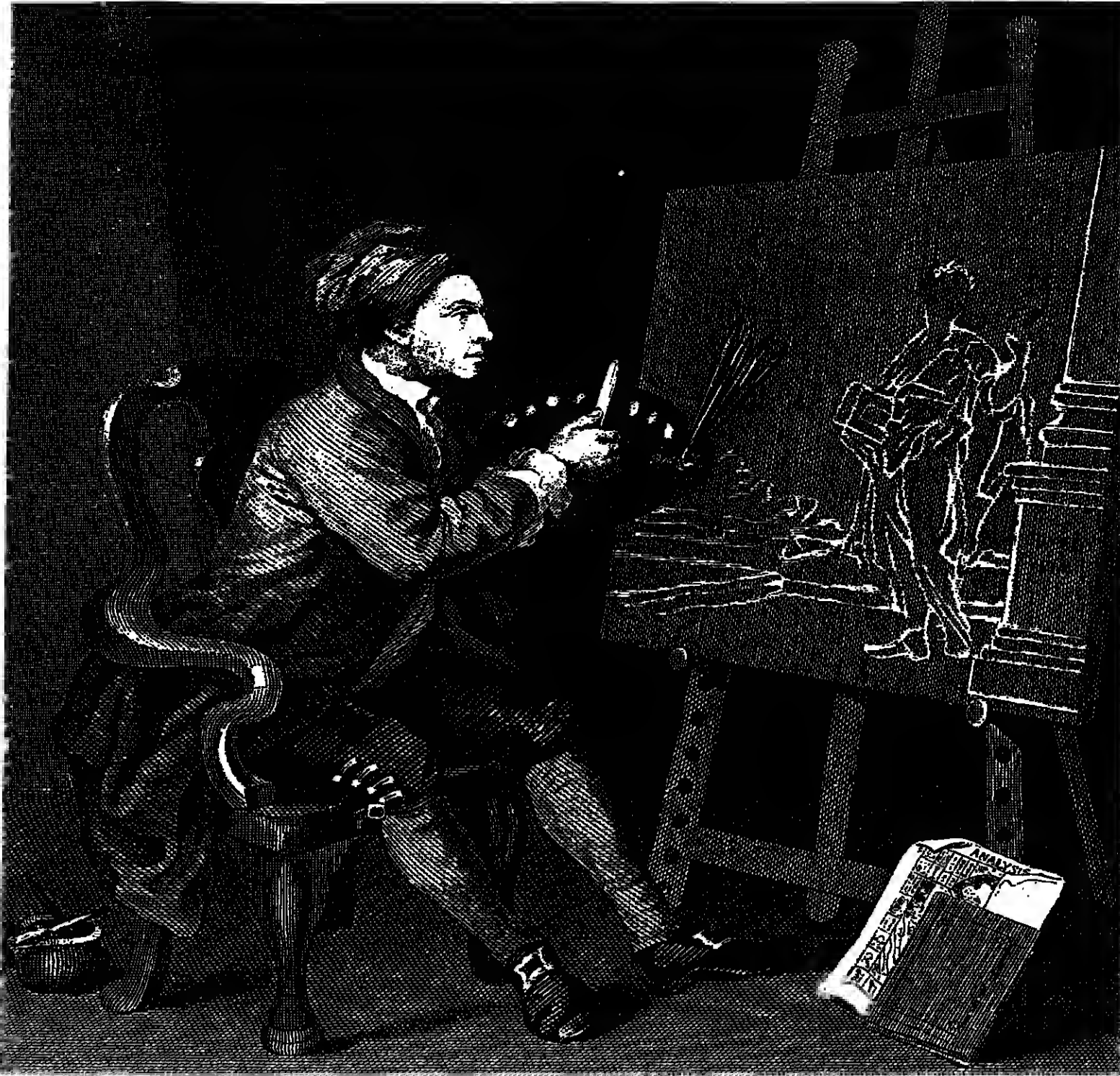
Hogarth's paintings and engravings were executed over a time-span that begins in the period of Addison's *Spectator*, which he regarded as a kind of Bible, and continues through the high Augustan era of Pope and Swift into the world of Dr Johnson, Garrick, Goldsmith. Although not as phenomenally successful as his younger rival Reynolds, Hogarth represents a much more significant response to the political and cultural development of the period. Queen Anne died when he was three; George III was on the throne when Hogarth himself died, aged 67, in 1784.

There are many points at which his work touches on contemporary literature. Fielding was a friend and colleague; both as a novelist and as a magistrate, he shared Hogarth's concern about public order and his dread of anarchy. Smollett was an enemy who satirised Hogarth as Mr Pallett in *Peregrine Pickle*. Sterne's way of writing fiction was positively Hogarthian. Defoe and Richardson both come into the Hogarth story. John Cleland's *Fanny Hill* derives from Hogarth. Paulson raises his eyebrows at the absence of any tribute to Hogarth in Ian Watt's standard *The Rise of the Novel* and similar studies.

Hogarth was likewise deeply into poetry. One of Hogarth's earliest works was a set of illustrations for the verse satire that preceded those of Pope - Samuel Butler's *Hudibras*. Hogarth's genius for ridicule was already riotously in evidence here. Busy crowded woodcuts foreshadow his main painterly innovation - a pictorial work in consecutive parts, delineating the progress of an anti-hero, or an anti-heroine, containing coded references to historical and contemporary people. The tradition of the "political cartoon" later developed by Rowlandson and Gillray stems from Hogarth.

The *Hudibras* illustrations were followed by *The Harlot's Progress* - a close kinship here with *The Beggar's Opera*, which Paulson sees as the transitional work of the whole period and which Hogarth also illustrated. Then came *The Rake's Progress* - a set of paintings aimed at a single purchaser, accompanied by a parallel edition of *The Rake's Progress* for public consumption that were sold to the public by Hogarth from his workshop on subscription. This doubling of painting and print was his usual practice; the prints were not mere copies but often differed in points of detail from their originals.

In London, where Hogarth lived for his entire life, we are fortunate that much of his best work is easily accessible, not only in galleries like the Tate but also in those institutions with which Hogarth was associated:



Hogarth: a self-portrait. Famous for his anti-heroes and heroines, he was also friend and collaborator with contemporary novelists and poets

## Hogarth: high art, low life

Anthony Curtis on the man who invented the political cartoon

Captain Thomas Coram's hospital for Foundlings of which Hogarth was a governor - he designed the children's uniform - and St Bartholomew's hospital. Above all, there are the 12 fine Hogarths purchased by that great 18th century collector, Sir John Soane, architect to the Bank of England.

They are on view in the Sir John Soane's Museum, 12 Lincoln's Inn Fields. They consist of the eight original paintings of *The Rake's Progress* series and four large canvases done in the last decade of Hogarth's life when he was exercised by the corruption evident in party politics - *An Election*. Paulson deals with this sequence in fascinating depth, showing the contempt that Hogarth had both for the candidates and the mob.

It was not only party politics that preoccupied Hogarth at this time but also the politics of art. As a youth he served his apprenticeship as a silver-plate engraver; he left his

master before completing his seven-year indenture; then he became an assistant to Sir James Thornhill with whose daughter Jane he eloped. Settling up on his own as an artist-dealer in 1720, he was much concerned about the protection of engravers' copyrights in their own

**HOGARTH: ART AND POLITICS, 1750-1764**  
by Ronald Paulson

Lutterworth Press £35, 568 pages

prints against pirates and succeeded in getting legislation through Parliament in favour of the artists. He was active as an instructor at the re-formed St Martin's Lane Academy and he joined the newly founded Society of Arts, Manufacturers and Commerce (now the RSA) where the first annual exhibitions of paintings in London were held.

Led by Reynolds, many leading

artists left the Society and lobbied for an English Academy on the lines of those in France and Italy. When this resulted in the formation of the Royal Academy in 1768, Hogarth parted company from them. He opposed the emphasis the Academy put on the copying of canonical Renaissance models (prescribed by Reynolds in his annual *Discourses* to the students). By contrast Hogarth believed that they way forward for art in England was by direct, honest, often scurrilously subversive observation.

Much of Paulson's final volume is taken up with Hogarth's theory of art. Hogarth expounded it himself in *The Analysis of Beauty* in 1750 both in a text and in two engravings. His gesture against the formal symmetry of the continental ideal was to point to the wavy line, the sinuous shape made by the letter S, as the basis of the Beautiful. His first print shows a painter's yard full of statues in S-shaped poses and surrounded on its border by staves, furniture and other

examples of the S-bend. The second print shows the S-shape as formed in their movements by a group of dancers at a ball who are doing a minuet. The shape is wayward and variable - elements of variety and surprise were crucial to his theory of art. Looking at a painting also implied search. The spectator is encouraged to observe the picture closely and decode it.

Here Paulson is invaluable. His glosses on the proliferation of emblems and allusions in Hogarth's work amount to a social history of the period. In his concluding chapter Paulson deals with Hogarth's last drawing, *Tail Piece or The Bathos* under attack from the poet Churchill and in contention with both Burke and Wilkes. He inscribed on it in capitals the word FINIS, a sentiment that will now be echoed by his biographer, with a justifiable sense of triumph.

## A novel imperialist

J.D.F. Jones discusses the life and genius of Rider Haggard

**I**N 1886 a young Norfolk barrister called Rider Haggard, who had an adventurous spell in South Africa already behind him, took a bet from his brother that he could not match a new best-seller called *Treasure Island*. In the two years that followed, in a well-nigh unbelievable burst of creative and imaginative energy, Haggard wrote and published *King Solomon's Mines*, *Allan Quatermain*, *Jess* and *She*.

After that, it is hardly surprising that the remaining 38 years can sound anti-climactic, although they were undeniably distinguished, successful and lucrative. Tom Pocock, who is a veteran Fleet Street journal-

**RIDER HAGGARD AND THE LOST EMPIRE**  
by Tom Pocock  
Widdowfeld & Nicolson £20, 263 pages

ist and an experienced biographer, has produced a brusque, no-nonsense, no-padding life story of a fascinating man in which he acknowledges that his aim has been to concentrate not so much on the novelist as on the public servant, above all on the visionary of the British Empire.

This is the first biography for over ten years and it tells a fairly familiar tale to good effect. The boy was denied a gentleman's education by his Norfolk squire father and sent off to South Africa in 1875, in time to hoist the Union Jack over Pretoria in the British annexation of the Transvaal - and also to meet a certain Umslopogass and fall for the Zulus. He became the youngest Registrar of the High Court, famed for his strictness in the middle of the first Anglo-Boer War, and came home to the boredom of barristers' chambers where he found rapid fame and fortune with his Africa-inspired fantasies.

After some years of this, Mr Pocock claims, Haggard realised he had perfected a novelist's formula which was a licence to print money, and for the rest of his life he churned out the fiction - he wrote 58 novels, most of which are utterly forgotten today - while getting on with his real interests. He was passionately concerned about agricultural reform, land settlement, and the future of the Empire.

He was no hippy and certainly not a conventional Tory. But he believed in "the divine right of a great civilising people", he wrote, "on only one condition... have we the right to take the black man's land, and that is that we provide them with an equal and just Government, and allow no maltreatment of them... but on the contrary do our best to elevate them and wean them from savage customs. Otherwise the

practice is surely indefensible." His imperialism linked logically with his concern for the health of British agriculture, which was central to the empire's economy.

His particular concern was to promote the (white) peopling of the Empire - "the great house with the empty rooms", as he once put it in a vivid phrase and he served, unpaid, on a long sequence of royal commissions and the like, travelling the world to promote policies which were almost all rejected by Westminster.

After the death of his beloved nine-year-old son, his life was gloomy. Pocock is good on the pessimism, in the post-1918 years, of upper-class imperialists like Haggard and his great friend Kipling. Meanwhile Haggard supported Lily, the First Great Love so often glimpsed in his novels, in a house in Aldeburgh (later to be occupied by Britten and Pears) as she disintegrated. Ayesha-like, from the syphilis her husband, Haggard's rival, had given her.

All of this is well enough done, but Mr Pocock must have realised that he is in danger of having written Hamlet without the Prince. The truth is that Haggard is principally interesting because he wrote a sequence of remarkable fictions which, a hundred years later, continue to haunt our imagination (Pocock's title, with its echo of Haggard's influence on present-day dramas like *Indiana Jones*, suggests that he admits this). See Pocock's glancing reference to *She*, where he merely footnotes a reference to the book's later interest for Jungians and Freudians and then skidaddles away: this really won't do, we deserve to be told just a little more. To ignore the books, without whose existence we would not be reading this biography, becomes perverse: I cannot believe that Haggard was so uninvolved in these tales which he dictated every day, and I begin to doubt whether Mr Pocock has actually read many of the novels he lists - but that, I am sure, is an unworthy thought.

Let us remind ourselves, then, that Haggard was a popular novelist of genius who also happened to be a Norfolk farmer and a man of public affairs. In that order. Let's remember the best of his novels are unforgettable because their resonances and references belong to the world of universal myth. As C.S. Lewis once wrote, "Haggard's best work will survive because... a great myth is relevant as long as the predicament of humanity lasts." Less elegantly, V.S. Pritchett has written of Haggard letting down a suction pump into the Unconscious. It would be good to read more about this and less about Sir Rider's activities for the Royal Colonial Institute in 1916.

**R**OBERTO Calasso's *The Marriage of Cadmus and Harmony* has been celebrated around the world this year, and it is necessary to ask why. This is not just a retelling of Greek myth, nor even a brilliant evocation of the classical world. It offers itself as much more: a recreation of myth for the modern imagination. In some sense, the myth, composed both of the ancient stories and of the meaning which a 20th century sensibility can make of them.

This makes it a formidable blend of two kinds of minds that often exclude each other - the poetic and the analytic - where the gods are both overwhelmingly present and figures for thought. Calasso gives us the original Greek myths and a reflection upon those myths, both story and interpretation, image and commentary, sitting down side by side with each other as once happened with gods and mortals until Cadmus brought the alphabet to humanity and the gods withdrew into our indifference.

But why does it work? Primarily because Calasso is an enchanting storyteller, weaving his tales together with all the craftsmanship of the bard in the market place, weaving his audience with intricate images and poignant dramas, then drawing them subtly into discussion and, suddenly, secular perspective.

For instance, while he is giving us Europa barely lifted above the waves by the shuddering bull, Zeus, in his race to Crete, Calasso mentions in passing the Linear B tablets and the fact that all Cretan stories have a bull at the beginning and the end. As he ranges from Homer through Pindar,

## Storyteller weaves magic with myths

Herodotus, Ovid and many others, the little-known 5th century AD Hellenised Egyptian writer, he achieves many fascinating insights into classical myths, and into the nature and persistence of myth in general: as when Harmony, trying but failing to resist marriage to Cadmus, understands "that myth is the precedent behind every action, its invisible, ever-present lining". Or, as the fate of Socrates showed, "we enter the mythical when we enter the realm of risk, and myth is the enchantment we generate in ourselves at such moments."

Yet the book seems to me to contain a danger which is probably inevitable and a flaw which is not. The danger is that this particular style, suspending all our disbelief, invites us to receive Calasso's interpretations as a part of the story, and so to lose the difference between the Greek and the modern eye, which has so much to teach us. When, for example, following the entrancing story of Theseus and Ariadne, we read that "the heroic gesture of women is betrayal" and find Ariadne clasped with Antigone on the grounds that they were both the ruin of their cities, we may wonder why it is classical heroines are doomed to suffer the same fate as Eve. "Antigone betrays the law of her city to make a gesture of mercy toward a dead man who does

not belong to that city." On the contrary, Sophocles' emphasis is on the nobility of the sacrifice of her own life for love of her brother against the tyrant Creon, the tragedy of individual value asserting itself against the collective rule of law. Myths of other cultures offer a unique perspective on our own culture and we have

**THE MARRIAGE OF CADMUS AND HARMONY**  
by Roberto Calasso

Jonathan Cape £14.95, 403 pages

always to guard against re-imagining them in the image of our own one-sidedness.

Another consequence of this blend of modes of discourse is that we have to take the whole story just as he tells it, as, it might well be argued, we do with any storyteller. But many of these characters are already known to us and have a distinct place in the way we think of things. Without demanding that there be only one version, are we not entitled to pursue these figures independently in the other paths they take in the tales he tells? When only the sources of direct quotations are given, but not the sources of reported speech of which most of the book is composed, we cannot carry our reflections further ourselves. The omission of an index (and

a bibliography) also limits the ways we can approach the book: perhaps Calasso is frustrating any use of it as a dispassionate reference book; perhaps he's trying to let the stories live on their own?

The flaw is that on occasion he takes the characters out of their separate stories and makes them a composite character, spanning many centuries and embracing incompatible extremes of behaviour, and this confuses the identity of figures we know. He fails at times to honour the integrity of the particular poems and stories which first gave the figures their habitation and their names. In this way, he allows myth to subsume literature, forgetting that it is literature that gives voice to myth.

Myth then becomes a generalisation from literature instead of emerging as a certain depth of resonance in poem and painting which allows an opening into the mythic realm. The Homeric Hymn to Demeter, for instance, which he relates beautifully and at length, so that we enter with delight the particular imaginative world of the seventh century BC poem, is suddenly interrupted with the goddess Demeter's giving of herself "illicitly" to King Celeus, according to an obscure scholiast, Gregory of Nazianzus, a fourth-century AD saint. We have instantly to abandon the Demeter of the

Hymn whose awesome presence, when she revealed herself, terrified Celeus and all the sons of Eleusis into building her a temple immediately.

Even more disturbing are Calasso's several stories of Odysseus, where he moves from one to the other without indication. But Homer's Odysseus is not the same Odysseus as Ovid's; those yet to read the *Odyssey* will not be assisted by first learning of Penelope as a "whorish fox" and the mother of Pan, from Lycophron 400 years later (who be?). This skimming across stories, all apparently of equal weight, may do for a sociology of myth but stops working once we engage with art.

These reservations are not intended to diminish Calasso's achievement in bringing the classical world to life. That the book has rapidly been translated into many languages points not just, in the waning of our Christian age, to a release of the old myths, once dismissed as pagan ignorance and excess, nor only to a vital reclaiming of classical culture in a time when Latin is no longer compulsory and Greek is rarely studied. Maybe it has also kindled a recognition that myths, telling a universal story, survive the death of the particular culture which first told them, simply because they belong to our specifically human inheritance. As the American mythologist Joseph Campbell once put it: "The latest incarnation of Oedipus, the continued romance of Beauty and the Beast, stands this afternoon on the corner of Forty-second Street and Fifth Avenue, waiting for the traffic light to change."

Jules Cashford

## Mystic meditations

**S**IR LAURENS van der Post has led a life of adventure - soldier in the jungles of the Far East, explorer of the deserts of Southern Africa, great white hunter. Like a character in a John Buchan novel, he is equally at home in tent and palace, welcomed, trusted and consulted as sincerely in Botswana as in Belgravia.

Unlike the predecessors who tramped unconcernedly over local cultures, he was sensitive and sympathetic. He understood that simple technology does not imply simple minds; that peoples without books may share rich resources of legendary traditions; and that those whose lives are precariously balanced retain an understanding of the changing seasons, the vital force of rain and sun, our kinship with animals, and other aspects of humanity which are lost or obscured in the comfortable West.

Van der Post wrote marvellous books. He was quick to exploit television when it was new and to help change old attitudes. To the post-imperial generation brought up in this country after the war, as well as to recent environmentalists and conservationists, Laurens van der Post is a modern hero.

His new book *The Voice of Thunder* brings together two pieces written some years ago, *The Little Memory* and *The Great Memory*, and a recent essay, *The Other Journey*. The earlier pieces



Sir Laurens van der Post

**THE VOICE OF THUNDER**  
by Laurens van der Post

Chatto & Windus £15.99, 229 pages

are classic van der Post, part autobiography, part good yarn, about the desert, interspersed with observations and speculations about how the bushmen of the Kalahari see the world and how we can share their wisdom.

The new essay has no narrative; it is an old man's meditation on the story of the *Odyssey*, the perpetual cycle of departure, return and departure which he sees as intrinsic to all lives.

As he has grown older, van der Post's mystical streak has become more pronounced. He is sure he has a message to pass on, but it is hard to pin down what exactly it is. The ancient Greeks would have recognised his awe at the power of nature as a sense of the divine, Pan in the woods, Nereids in the Ocean, without implying a personal deity or an intended discoverable design. The romantic poets shared his vision of the mountains, the torrents and the deserts as metaphors of the tempests and aridities of life. Jung, whom van der Post knew personally, suggested the concept of the collective unconscious - the cumulative effect of heredity and experience, which is unique to each individual but of which a good deal is also shared with other human beings.

Van der Post sees a revealed secret in the urge of the unconscious to become conscious. Perhaps, he suggests elsewhere, everything in the universe is synchronised. The metaphor of a journey can give shape to recurring patterns in human lives. Mixing personal science, myth and literature, drawing on a quotation here and a famous name there, van der Post constantly risks appearing banal and confused. He is a remarkable man, but wonderment and benevolence are not, by themselves, enough to make a poet or a philosopher.

William St Clair











## TELEVISION

## SATURDAY

**BBC1**  
7.00 Ceejay Page, 7.25 News, 7.30 Pinocchio, 7.45 New Popover Show, 8.00 Mollie and Me, 8.35 Peter Pan and the Pirates, 9.00 Panda 2, 10.05 Film: Antinomy.

**BBC2**  
12.12 Weather.  
12.15 Grandstand, introduced by Steve Rider, including at 12.20 Footbal: Bob Wilson reviews the week's FA Premiership action, 1.00 News, 1.05 Special Olympics: Helen Rodger and Eddie Butler report from Sheffield, 1.55 Racing from Goodwood: The 2.00 Sprint on Film, 2.05 Stakes, 2.05 Showjumping: The Speed Derby from Hickstead, Can David Bower repeat his success of the past three years? Commentary by Michael Tucker and Stephen Hadley, 2.25 Racing: The 2.30 Ladies' Racing Sprint Handicap, 2.35 Showjumping, 2.40 Racing: The 3.10 Triple Crown Celebration Mile, 3.15 Hockey: The Women's Champions Trophy from Amsterdam, England v Germany in their final match in the round-robin section, Commentary by Nigel Stanger-Smith and Nigel Newell, 3.50 Football Half-Time, 4.00 Traction: The World Championships from Manchester, 4.40 Final Score, Times may vary.

**BBC1**  
5.05 Regional News and Sport.  
5.20 Edinburgh Military Tattoo 1993. Highlights of the floodlit spectacle at Edinburgh Castle.  
5.25 Film: The Last Days of Pompeii. The tenants of an apartment block scheduled for demolition are aided by a tiny alien spacecraft (1987).  
5.30 Open All Hours, Comedy, starring Ronnie Barker and David Jason.  
5.35 Birds of a Feather, Sharon Daniels to learn the ways of the upper classes when she starts dating a gentleman, Paula Quirke and Linda Robson star.  
5.40 News and Sport, Weather.  
5.45 Spender, The film-jawed George's powers of deduction are tested to think when his alcoholic father is accused of murder, starring Jimmy Nail, Sammy Johnson and Denise Welch. Last in series.  
10.10 Match of the Day, Desmond Lynam introduces highlights from two of the afternoon's FA Premiership matches.  
11.15 Film: French Connection II, Thriller, starring Gene Hackman as a tough New York narcotics cop who tracks a drug dealer to his lair in London. A sequel as good as the original, (1975).

1.10 Weather.  
1.15 Close.

**BBC2**  
7.05 Open University.

**BBC1**  
3.00 Film: Giant, Rock Hudson, Elizabeth Taylor and James Dean (in his final role) star in this drama chronicling the changing fortunes of a Texas farming family over two generations. With Carroll Baker, Dennis Hopper and Sal Mineo (1956).  
6.10 Animation Now: An artist discusses creativity.  
6.20 James Baldwin, Profile of the black American writer, featuring rare archive footage and interviews with his family and friends, Baldwin, who became active in the civil rights movement, always insisted that individuals' basic humanity transcended all questions of race or religion.  
7.45 News and Sport, Weather.

**BBC2**  
8.00 Rhythms of the World, Brazilian singer-songwriter Jorge Ben in performance in London. Ben is a key figure in the "tropicália" sound, a fusion of the bossa nova and samba beats.  
8.00 Teenage Diaries, An insight into the life of 17-year-old Josephine Quake, who comes from a wealthy Kenyan family. Josephine responded enthusiastically when offered a chance to study at an English public school, but the prejudice she encountered in the classroom soon forced her to reassess her attitudes toward racial tensions and the Somali refugees living in camps in Kenya.  
8.50 Nice Town, Paul celebrates when Linda finally gives birth to a daughter, unaware of his brother Joe's part in her pregnancy. But when he decides to trace the new arrival's family tree, he uncovers a dark secret about his own past. Drama, starring Paul McGann, Josephine Simon, Philip Davis and Gwyneth Strong.

**BBC1**  
10.50 Film: The Legend of the Holy Drinker, Ruffalo Hauer and Anthony Quaye star in this tale about an alcoholic tramp continually hampered in his attempts to repay money to the shrine of a saint. With Sandrine Dumas and Dominique Pinon (1988).  
12.55 On the Air, Lester's attempt to humiliate Betty backfires, and the woman with no name entrances Vicky and his uncle. Zany comedy, starring Ben Elton and Maria Jannetty. Rubinstein.

1.25 Close.

**LWT**  
5.00 GMTV, 5.25 Glims 5, 11.30 The ITV Chart Show, 12.30 pm Opening Shot.

**BBC1**  
1.00 ITN News; Weather.  
1.05 London Today; Weather.  
1.10 Athletics, The Berlin Grand Prix, featuring the world's top athletes on their return to the circuit after Stuttgart.  
2.10 Movies, Games and Videos.  
2.15 Nothing, with Emma Thompson.  
2.40 Sky High, Part three of the children's drama. The boys continue their quest to learn to fly.  
3.35 WWC Worldwide Wrestling, Ring-side action with the American giants.  
4.20 Cartoon Time.  
4.40 ITN News and Results; Weather.  
5.00 London Today and Sport; Weather.

**BBC2**  
5.10 Disney Cartoon Time.  
5.30 What You Look? A7 Jane's pre-birthday period is over - can the club impress her boss enough to make sure she stays as club leader?  
6.00 Return of the Gladiators, Behind-the-scenes introduction to the new combat series.  
6.30 Film: Franchise, A teenage investigative journalist uncovers a web of corruption leading to a wealthy local businessman. Thriller, starring Simon Doria, Charles Haid and Robin Douglas (TVM 1989).  
8.00 The Bill, Carver is forced to tread carefully when he catches a young thief who lives in fear of his father.  
8.30 Film: A Father's Revenge, A man is driven to increasingly violent tactics as he seeks to find and rescue his kidnapped daughter, after she is kidnapped by terrorists. Thriller, starring Brian Dennehy, Joanna Cassidy and Anthony Valentine (TVM 1987).

**BBC1**  
10.10 ITN News; Weather; London.  
10.30 Film: The Adventures of Baron Munchausen, Terry Gilliam's colourful remake of the extravagant fantasy about a German soldier who tells stories of his escapades. With John Gielgud, Robin Williams, Edward Fox, Jonathan Pryce and Bill Paterson star (1988).  
12.50 Pavarotti and Friends.  
2.10 The Big E.  
3.05 It's Bizarre.  
3.55 New Music.  
4.55 EPM.

1.25 Close.

## SUNDAY

**BBC1**  
7.00 Ceejay Page, 7.25 Animal World, 7.40 Pigeon Show, 7.45 Pigeon Show, 7.50 Pigeon Show, 8.00 Pigeon Show, 8.10 Pigeon Show, 8.20 Pigeon Show, 8.30 Pigeon Show, 8.40 Pigeon Show, 8.50 Pigeon Show, 9.00 Pigeon Show, 9.10 Pigeon Show, 9.20 Pigeon Show, 9.30 Pigeon Show, 9.40 Pigeon Show, 9.50 Pigeon Show, 10.00 Pigeon Show, 10.10 Pigeon Show, 10.20 Pigeon Show, 10.30 Pigeon Show, 10.40 Pigeon Show, 10.50 Pigeon Show, 11.00 Pigeon Show, 11.10 Pigeon Show, 11.20 Pigeon Show, 11.30 Pigeon Show, 11.40 Pigeon Show, 11.50 Pigeon Show, 12.00 Pigeon Show, 12.10 Pigeon Show, 12.20 Pigeon Show, 12.30 Pigeon Show, 12.40 Pigeon Show, 12.50 Pigeon Show, 1.00 Pigeon Show, 1.10 Pigeon Show, 1.20 Pigeon Show, 1.30 Pigeon Show, 1.40 Pigeon Show, 1.50 Pigeon Show, 2.00 Pigeon Show, 2.10 Pigeon Show, 2.20 Pigeon Show, 2.30 Pigeon Show, 2.40 Pigeon Show, 2.50 Pigeon Show, 3.00 Pigeon Show, 3.10 Pigeon Show, 3.20 Pigeon Show, 3.30 Pigeon Show, 3.40 Pigeon Show, 3.50 Pigeon Show, 4.00 Pigeon Show, 4.10 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## Summer Rites Birds of a feather

ONLY A very sensitive ornithologist would want to claim that the grouse was a lovely bird. *Lagopus lagopus* is a gawky creature which barks when it should trill and flies with a sort of aerial stagger when it should soar. Nature, I think, patently intended this fowl of the air for the pot.

Still, I confess to a frisson of pity the first time I saw one downed, somewhere up on the Banff moorlands, not far from the Glenlivet distillery.

A late grouse has marvellous scarlet eyes, with black pupils that catch glints of sunlight as the bird lies blasted in tussocks of Highland ling. This is the stuff of the sporting print, the appetising table-mat, the jannets of Jorrock and the fields of Fielding.

But I briefly mourned the unlovely bird. And I now realise why, for it is becoming increasingly hard to put a gloss of time-honoured prowess on a dead grouse in the 1990s.

To begin with, the guns of today are too good. The birds have the odds against them. Humans may be known for their intelligence, but grouse are not. A double-barrelled shotgun has one barrel too many; that is what our great-grandfathers would say.

But that is not the crux of one's objection to glory on the grouse moor. Put crudely, it is that the wrong sort of sportsman is bagging these birds. It would be undiplomatic, not to say ungentelemanly, to

### Nigel Spivey ponders grouse beaters and their place in the scheme of things

name nationalities, though when I last went beating even the unctuous head game-keeper took exception to a detachment of Italian Christian Democrat town councillors firing away at rabbits all stricken with chronic myxomatosis.

The fact is that nothing says so much about the decline of British aristocracy as grouse shooting. All that is left to us natives is the state of vassalage. We can hardly afford to shoot, so give us a stick, affix an old fertiliser bag, marshal us into a line and let us earn a crust by beating the birds towards the guns of our new masters.

Beaters are masochists. They take a delight in the humiliation of it all. The game-keepers run about in plus-four tweeds and hob-nailed boots, dictating strategies over portable telephones. The beaters do as instructed. A whistle sounds. The beaters obediently set off.

It may be a mile before they converge - plashing through streams, beset by midges but always flapping that old fertiliser bag on a stick. Whole families of grouse peacefully grousing in the heather go spiralling up.

As the beaters inexorably unite, and the gun fills with flapping bags, the guns begin to pop and blaze. Scrambling up the hillside, dodging the patter of pellets, the charitable beaters are the ones wearing Barbour jackets.

Before the dogs home in on fallen birds, before the men with foreign tongues begin to congratulate themselves and their quintuple-barrelled guns, there is always the chance to express your pity for a grouse that has ceased to be: pick him up and stuff him into one of those spacious poacher's pockets.

After a hearty morning sconced in the butts on the edge of a hill, the alio aristocrats pass round their bip-flasks, exchange a few jokes about the state of the currency markets - and wait for lunch.

Lunch will certainly arrive in a Land Rover, toiling up from the local country house hotel. That vehicle will even more certainly piloted by two gorgeous Sloanes. Cold cuts, smoked salmon, *foie gras* and Shilton are disembarked, and Bollinger is found to ease the nourishment down.

The beaters? The beaters will be out of sight, by order of the keepers. An unkempt motley of old Estonians, Oxford graduates and peers of the realm, they have much in common: processed cheese sandwiches, Red Label tea, and a packet of Silk Cut. They bask in the sun. They know their place.

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showed us documents illustrating the presence of Jews in Bolimow for more than 300 years. These were annual returns of the local forest collective, the shareholders of which, regardless of religion, enjoyed the rights to timber from the local woodlands. Their contributions were used to pay for the village's amenities.

Alongside their names and details of their annual payments, the shareholders had made their marks. The Christians signed with three crosses; the Jews had drawn three small circles. On the returns for 1820 and 1839 I found the name Mann, the surname of my mother's



A racehorse being exercised. A convocation of soldiery. Pallid mannequins loitering. At war or at peace, Beirut is a city of the strangest incongruities and juxtapositionings. These photographs are from a portfolio of work shot this summer by Morris Carpenter, one of two winners of the first Alan Harper Bursary, which is open to photographers under 25. The £5,000 bursary was set up in memory of Alan Harper, an FT photographer who was killed while on assignment in the Kuwaiti oilfields in 1991. For his project, Carpenter, who works for Zoom Photographic, concentrated on the rebuilding of Beirut, the protection of its historical buildings and archaeological sites - and the effects of redevelopment on the survivors of war.



## Where vulgarity is a virtue

FROM TIME to time, I have dipped a toe into the waters of Britain's seaside resorts. No matter how I disdain the boardwalk for its vulgarity and seediness I am, at the same time, attracted to it for precisely those reasons. So why not, I decided, pay a visit to the oldest and biggest of all promenades in Britain? Result: on a recent Friday evening, I caught a train northwards. Three hours later, I alighted at an exotic Blackpool, mother of all British seaside resorts.

Perhaps it was the knifing wind and fine, cold drizzle that blew in off the sea, sending sweet papers and cigarette packets swirling; perhaps it was the recession. Either way, an inescapable air of weariness enveloped the small shops and hushes, the half-empty B&Bs, the down-at-heel pubs along my way. As I walked through back streets towards a Blackpool Tower obscured by mist, I felt suddenly grim. I could not help thinking that the special atmosphere of the English coastal resort might have become superfluous.

Who needs seaside seediness now that it has seeped its way inland, through the entire country? Where is the fun in vulgarity if it has worked its way into the highest social and political circles? There are times, these days, when all Britain seems gripped by the ethos

of the penny arcade. Not even a short stroll along the Golden Mile itself - the long band of fast-food kiosks, amusement arcades, souvenir shops and jostling crowds that fronts the sea - cheered me. The chip shops smelled of stale oil. The souvenirs looked grubby and paved-over.

Braving a ghastly electronic howl, I stuck my head into an amusement arcade. I did not really expect it, but there was not a coconut shy, a dart or hoop or dottle in sight; the fun seemed centred on video-screen games featuring heavily-armed psychopaths trying to kill each other.

Not even the real people looked happy. Groups of loud youths blundered by with beer bottles in hand. Elderly women wandered aimlessly out of bingo halls into the rain. In the restaurant beside the tower, I queued behind a man and wife in bright nylon shell suits, a baby sealed in a plastic-covered pram between them. They consumed their Big Macs joylessly and left without a word.

I had a Big Mac, too, and ruminated. Was this a final picture of England, supine and spiritless? Had the cheer gone even from the cheap and cheerful?

Not at all, said Barbara Rocks, when I asked her what she thought. It was simply the rain and grey weather. Recession or no, Blackpool remains a place where you can find

a bit of fun. Barbara, for eight years proprietress of the Norwin B&B, is a level-headed Scot and immediately dispelled my moodiness.

Besides, her spotless little establishment, from the plastic flowers in the dining room to the coloured lights in the bay window, struck just the right note. So did Barbara. I like being called dear and told not to fret. Tomorrow, I was promised, would be a brighter day. And it

*Blackpool is the  
genuine article,  
says Nicholas  
Woodworth*

was. How, I wondered as I strolled towards the promenade, could I have doubted the town's resolve to see the rest of the country through its lowest moments?

The world at large might be down in the dumps but, if sea-front boardings and advertising are anything to go by, Blackpool is one great laugh of a place. Without leaving town I could watch the Hilarious Jolly Brothers, Nick Miller's Comedy Store, Roy Walker's Family Laughter Show, the duo Joke, the Lunnymen Little and Large, the Shamrock Music and Laughter Show, Cobby Brown, Bernard

Manning, and scores of other comedy routines. There were singers, dancers, musicians, magicians, ventriloquists and every other kind of performer; making people laugh, though, is Blackpool's real talent.

Low-brow mass entertainment? Perhaps. But then, Blackpool is about temporary escape, simple relief from the monotony and enforced dullness of working-class life. And who needs Godot in Blackpool? There is enough of the surreal about the place as it is.

Summer, for example, is not a season in Blackpool but an attitude in the stiff breeze on the promenade, young couples in shorts and T-shirts strolled hand-in-hand as if whiling away time on the French Riviera. Wind-whipped but undaunted, the elderly reclined gingerly in rented canvas chairs.

I enjoyed walking the piers. On Central Pier, I circled round and round on a Ferris wheel while, far below, bumper cars bumped and the surf crashed to the theme song of *Baywatch*. On the Victorian-style North Pier, where a small tram runs between little white pavilions with green onion domes, there are still a few traditional games of skill left. I threw hoops over bottles, fired corks from pistols, aimed balls at moving targets. I could not even set foot in Harry Ramsden's famous fish restaurant, so great were the queues that even-

ing. Instead, I bought a bag of rock cod and chips from the take-out counter and parked myself on a bench not far away. Why is it that strange women never make saucy remarks to me when I sit on public benches in London? Perhaps there is safety in numbers - Blackpool is a place where whole office-loads of secretaries, entire shops-full of sales assistants, choose to unwind.

I am not sure I could take more than two or three days of Blackpool. There are times when the rain falls, the wind blows, and not even the most successful fantasist could pretend he was on the Riviera. Then one is forced indoors with hordes of sodden holiday-makers, and it all becomes too much.

What Blackpool has, above all, is amiability. My last evening was spent at a show at the Layton Institute, a working men's club some distance from the Golden Mile. The singing was mediocre, the humour parochial. But the atmosphere was as warm and sociable as anything I have encountered in Britain.

In London, I live surrounded by people of cool, off-handed mien. It is a city where outsiders rarely feel entirely at home. But, in Blackpool, I felt at home in five minutes. Beneath the seediness and vulgarity, it has a strength of popular culture that, even in tough times, can make the airs and pretensions of London seem gaudy.

## Double your bid

Michael  
Thompson-Noel



MUCH OF what I earn comes from consultancy - heads of government, Ross Perot, Nato, stuff like that. Yesterday it was the UK sports minister who summoned me to his lair, to discuss Operation Final Push - the last phase of Britain's bid to stage the Olympic Games of 2000 in Manchester. D-Day is September 22 when members of the International Olympic Committee make their decision.

I did not catch the sports minister's name, but I could tell from his clothes and gear - blazer, hockey tie, headgear, cycling shorts - that he was who he said he was.

"Right," said the minister. "Some coffee, Julian, mucho rapido." Julian is the minister's political assistant: a Michael Portillo look-alike from the Conservative Party, hard right gangster with purple tie, perfect teeth, Castilian hairstyle, muscular, mercurial. Age: 27. Never turn your back to him.

"Manchester," said the minister. "Operation Final Push. Big heave essential. Political risks considerable. But rewards, of course, immense. Everything to play for. Grateful your advice."

I said: "What is your problem?" He said: "As you know, the government has pumped untold billions into the bid to stage the 2000 Olympics. Manchester has acquired a surfeit of infrastructure. Nine new airports. A 12-lane ring-road. Dozens of hotels. Fifteen new museums. Hundreds of new restaurants. Waterfalls and parks. Zero-rent apartment blocks."

"And plans are well advanced for a coup de theatre the evening, on the last day of the Games, of the John Major Millennium Institute of Sport and the Performing Arts."

"But the prime minister is jittery. He read in *The Economist* last week that Beijing, one of Manchester's main rivals, is running a campaign of the utmost ruthlessness. Accord-

ing to *The Economist*: 'When the [Olympic] committee visited Beijing, a Chinese representative simply pointed to the five rings of the Olympic flag and said: 'China has 1.2bn people more than one-fifth of the world's population... One of those rings... represents [us]! Absolutely dynamite. And then there is Sydney. It is co-favourite with Beijing.'

"Sydney is smashing," I said. "Just so," said the minister. "But let us concentrate on Manchester. I have called you in, Michael, because of your intellectual rigorosity - your ability to atomise complex scenarios into fundamental particles. So here is the big question: what is our Achilles' heel? What could possibly spook us?"

I said: "Three things, actually. *Numero one*: the weather. It has now rained in Manchester for 613 consecutive days. They have had blizzards and typhoons and showers of speckled frogs. To date, the media have co-operated and not blown the whistle. But the scandal could leak out. Manchester's weather is a catastrophe-in-waiting."

"*Numero two*: everywhere in the world there is an anti-British backlash. Europe hates us. Asia despises us. So does everyone else. In *The Times*, Kate Muir reported this week that in New York, especially, there is a campaign in progress denigrating everything British - our boorishness, our groutiness, our racism, our snobbishness, our economic backwardness, our Marks & Sparks underwear, even our garden gnomes. There is a floodtide of Anglophobia raging."

"*Numero three*: John Major. He's your biggest problem. You know he's got to go, so why muck around? Replace him with Portillo. From the chair next to mine, Julian flashed a smile. "But you can forget the Olympics. Manchester? Not a hope."

"So what should I do?" I steepled my fingers and let my braincells whirr, atomising the scenario into fundamental particles. I said: "There could be a solution. Your best bet, minister, hinges on the fact that Queen Elizabeth and still Queen of Australia and So - I dispatch our nuclear submarines. Have them resurface in Sydney harbour. Take Australia back. It is one of the world's best countries. The Aussies wouldn't mind. I am sure they would welcome you. Their brains have been softened by sun, sex and surf. By reconquering Australia you will acquire Sydney's bid to stage the Games of 2000. The IOC would love that. Adios, Beijing. And we'd all fly south and live in Australia. Bondi here we come."

The minister said: "Your cheque is in the post."

## Footprints of the Holocaust

cousins and the largest Jewish family in Bolimow.

"I remember all the Jewish families," said Stefan, mentioning five people who had been his friends. He fished out a 1937 group photograph of about 30 members of the village's volunteer fire brigade. On the reverse he had written all their names, Christians and Jews.

He described two wartime events. Early in the war, he had been arrested by the Gestapo and taken to Lowicz, where the town's Jewish leaders were being tortured to

extort money from the rest of the Jewish community. Once the ransom was paid, they were murdered, along with the others.

In Bolimow, two families - 11 people - had hidden in a bunker that they had built and furnished near the river Rawka. They survived until 1944, when they were betrayed to the Nazis. Before being executed, they persuaded the Germans to spare a non-Jewish Polish soldier who had shared their hiding place. Their Christian neighbours took their bodies to the Jewish cemetery

and buried them. Stefan said that the only local Jews to survive the war were four boys who had gone to Palestine when it ended.

I drove back to Warsaw grateful to Stefan and Jan for their acts of remembrance. Three weeks later, we took our photographs and notes of the visit to Freda and Moshe in Israel. From the photographs, Moshe identified his own house and that of my great-aunt. They appeared unchanged, he said.

After the war, Moshe had corresponded with his former school

teacher in Bolimow and knew about the two families who had hidden by the river. One of them, the Stutefermans, were his own first cousins. He had also known the four boys who had lived through it all and reached Palestine after the war; their families still live in Tel Aviv.

As for Stefan Konopczynski, Moshe's mother used to buy her crockery from him.

Back in London, I turned to Martin Gilbert's *Atlas of the Holocaust* to discover the likely fate of the rest of the family - my mother's seven

cousins, their elderly father, wives, husbands and children.

A ghetto was created in Bolimow on June 11 1940. In February or March 1941, its inhabitants were among 72,000 Jews from the district dispatched by road to Sobibor, from where they were sent by rail to Warsaw. In the ghetto there, they either shared the fate of the 150,000 who died or fought, or were among the 320,000 sent from Warsaw to the Treblinka death camp.

Had my mother still been alive, I wonder if I would have had the heart to tell her this story. But perhaps she had known some of it all along - and never had the heart to share it with me. At least my own children will know.

السلامة والهدوء